REPORTS AND FINANCIAL STATEMENTS FY 2015

SNAI S.p.A.
Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro 97,982,245.40 fully paid in
Tax Code 00754850154 - VAT no. 01729640464
Lucca REA no. 166476 -Register of Companies in Lucca no. 00754850154

GRUPPO SNAI

SNAI GROUP

Reports and Financial Statements

as at 31 December 2015

1. Directors' Report on the Company and the Group

SNAI S.p.A.

2. Financial statements as at 31 December 2015 and explanatory notes
3. Declaration of the Managing Director and the Director in charge of the preparation of the corporate accounting documents, pursuant to Article 154 *bis*, section 5 of Italian Legislative Decree No. 58/98, accompanying the annual financial statements

SNAI Group

4. Consolidated Financial statements as at 31 December 2015 and Explanatory Notes
5. Declaration of the Managing Director and the Director in charge of the preparation of the corporate accounting documents, pursuant to Article 154 *bis*, section 5 of Italian Legislative Decree No. 58/98, accompanying the consolidated financial statements
6. Subsidiaries Financial Statements as at 31 December 2015

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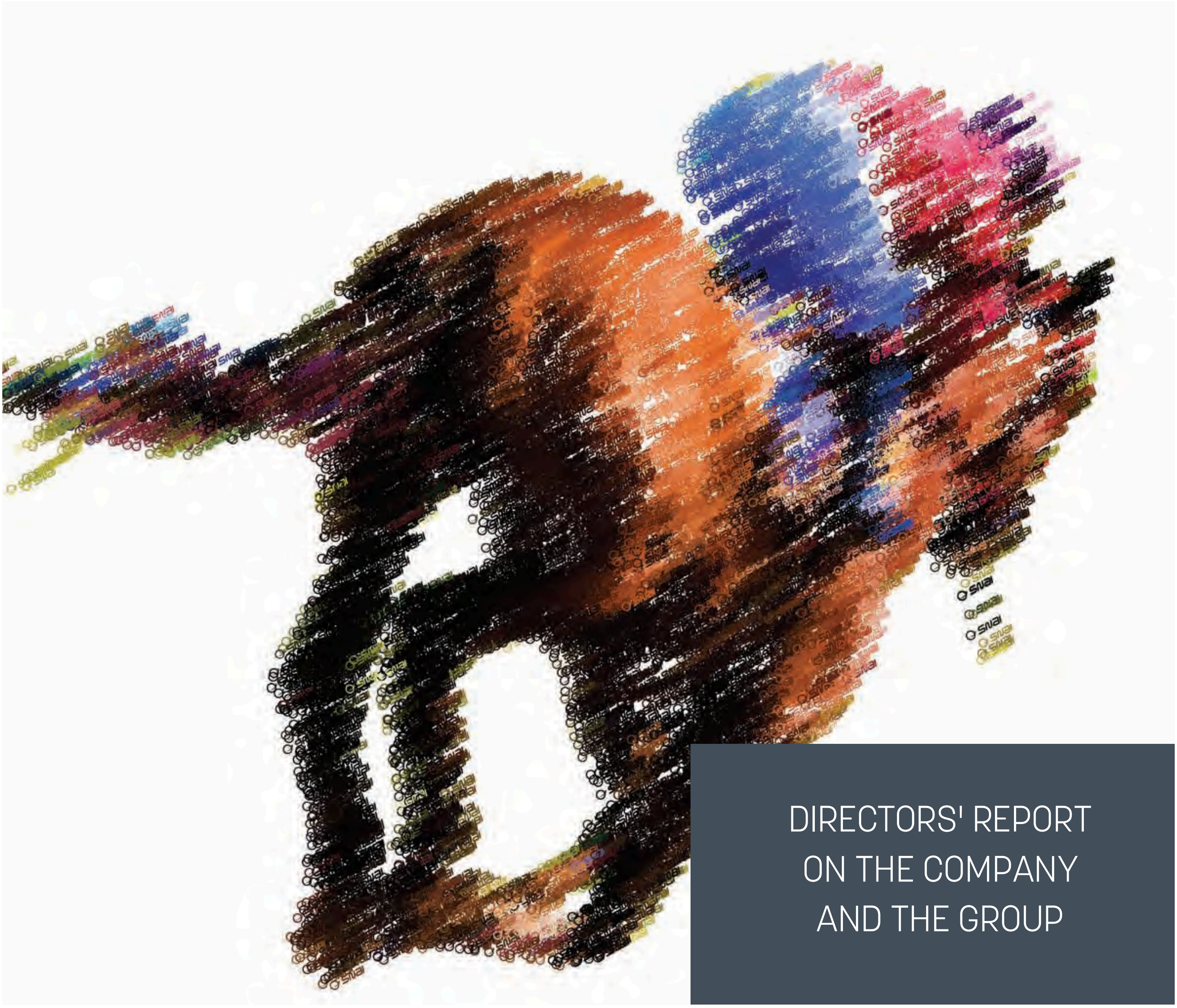

DIRECTORS' REPORT ON THE COMPANY AND THE GROUP

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CORPORATE BODIES
AND AUDITING FIRM OF SNAI SPA

Board of Directors
(in office from the Shareholders' Meeting held on 26 April 2013 until the Shareholders' Meeting that will approve the financial statements for period ending 31 December 2015)

Chairman	**Gabriele Del Torchio***
Managing Director	**Fabio Schiavolin****
Directors	**Stefano Campoccia** ***/*****
	Mara Caverni ***/*****
	Giorgio Drago
	Nicola Iorio
	Enrico Orsenigo
	Roberto Ruozi ****
	Barbara Poggiali ****
	Chiara Palmieri ****
	Tommaso Colzi
	Marcello Agnoli ***/*****
	Carlo Gagliardi*
	Paolo Scarlatti ******

The Director in charge of the preparation of the corporate accounting documents **Marco Codella**

Board of Statutory Auditors
(in office from the Shareholders' Meeting held on 29 April 2014 until the Shareholders' Meeting that will approve the financial statements for period ending 31 December 2016)

Chairwoman	**MariaTeresa Salerno**
Standing Auditors	**Massimo Gallina**
	Maurizio Maffeis

Auditing Firm
(Mandate granted by the Shareholders' Meeting held on 15 May 2007 for a term of 9 years)
Reconta Ernst & Young S.p.A.

** Appointed at the Shareholders' Meeting held on 28 September 2015 until the Shareholders' Meeting held to approve the financial statements for the period ending 31 December 2015.*
*** Co-opted by the Board Meeting held on 23 November 2015 to replace the resigning Mauro Pisapia and in office until the next Shareholders' Meeting.*
**** Members of the Control and Risk Committee chaired by Stefano Campoccia.*
***** Members of the Compensation Committee chaired by Roberto Ruozi.*
****** Members of the Related Parties Committee chaired by Mara Caverni.*
******* Co-opted by the Board Meeting held on 10 December 2015 to replace the resigning Massimo Perona and in office until the next Shareholders' Meeting.*

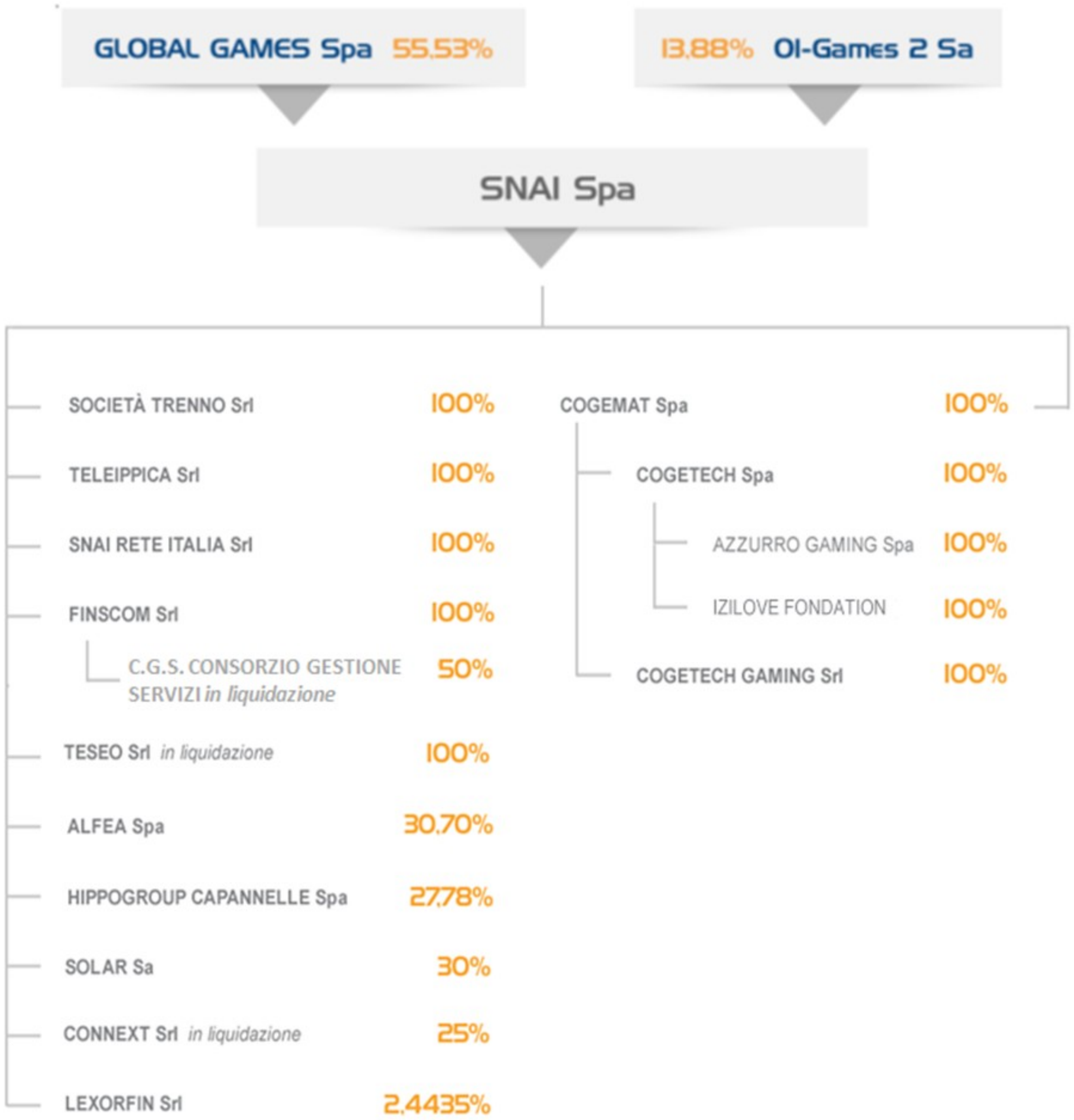
DIRECTORS' REPORT
ON THE COMPANY AND THE GROUP

A. SNAI GROUP

SNAI S.p.A. is the leading operator on the Italian betting market and one of the main operators on the national gaming market.

The Group is controlled by Global Games S.p.A. - an investee company 37.51% owned by Global Entertainment S.A. (in turn controlled by Investindustrial IV L.P), 37.51% by Global Win S.r.l. (in turn controlled by Venice European Investment Capital S.p.A.) and 24.98% by OI-Games 2 S.A. - which owns 55.53% of the share capital of SNAI.

Global Games S.p.A. (as a simple holding company) does not engage in direction and coordination activities vis-à-vis SNAI S.p.A., since SNAI S.p.A. determines its own strategic objectives autonomously, with full organisational, operational and contractual independence.



B. ANALYSIS OF THE ECONOMIC AND FINANCIAL PERFORMANCE OF THE COMPANY AND THE GROUP

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 Key indicators of the Group's performance

As a necessary condition to better understand the trend in business performance, it is first of all necessary to recall that in 2015:

- on 30 September 2015, SNAI S.p.A. ("SNAI") entered into a purchase agreement with OI Games 2 S.A. for 100% of the share capital of Cogemat S.p.A. ("Cogemat"). The transaction for the acquisition of the Cogemat/Cogetech Group by SNAI took on form by means of a transaction for the conferral in the share capital of SNAI of the equity investment held in Cogemat S.p.A. by OI Games 2 S.A. (controlled to an equal extent (50/50) by OI Games S.A. and International Entertainment S.A.). For this conferral, SNAI issued new shares for a total value of Euro 140 million. Further to the transaction, the old shareholders of Cogemat obtained 71,602,410 newly issued SNAI shares (38% of the share capital after the share capital increase, instrumental to the transfer). The deed was finalised on 19 November 2015;
- on 28 July 2015, a bond was issued for Euro 110 million, for the repayment of the loans pertaining to the companies of the Cogemat group, which took place on 19 November 2015 on occurrence of the conditions precedent of the acquisition transaction;
- on 3 April 2015, a new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated, aimed at the acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points. Via this company, 2 corporate transactions were finalised which saw the acquisition of Finscom S.r.l. under joint investment with SNAI S.p.A. and the rental of the business segment of S.I.S. S.r.l. (with subsequent purchase restriction), for a total of 63 betting points.
- Barcrest transaction: in the last few months of 2014 and in the first weeks of 2015, negotiations continued between SNAI, on the one part, and Barcrest Group Limited and The Global Draw Limited on the other part, to reach an amicable settlement of the legal dispute as well as of a series of pending cases which arose between the parties following the well-known facts which occurred in April 2012, for which on 19 February 2015, a transaction with the companies involved and their counterpart Scientific Games Corporation was concluded. Due to the above, SNAI waived the actions in the Roman case that, at the same date, following the joint request submitted by the parties, was declared cancelled, with legal expenses offset, and reached an agreement with the above companies on pending cases and the payment of damages and costs already borne, including some guarantees on the cases themselves. With respect to the aforesaid agreement, on the same date, SNAI received a payment of Euro 25 million, less around Euro 2.5 million in receivables due to Barcrest vis-à-vis SNAI which, due to the transaction, will not be paid. The payout of the sporting bets (percentage of wins of the players) came to 82.2%, a value higher than that reported in 2014 but whose performance falls within the normal fluctuation of this variable.

Consequently, the key performance indicators of the Group's performance are as follows (in thousands of Euro, with the exception of amounts per share).

- **KPIs**

	Year		***Change***	
amounts in thousands of Euro	***2015***	***2014***	***€***	***%***
Total revenues	631,809	527,481	104,328	19.8
EBITDA	85,520	105,877	(20,357)	(19.2)
EBITDA Adj	90,190	111,470	(21,280)	(19.1)
EBIT	13,641	34,910	(21,269)	(60.9)
Profit/(loss) before taxes	(45,859)	(24,034)	(21,825)	(90.8)
Net profit (loss)	(54,231)	(26,082)	(28,149)	(107.9)
Diluted earnings/(loss) per share	(0.44)	(0.22)	(0.22)	(100.0)

Also KPIs and other *pro-forma* values will be used further on in this document, calculated considering the contribution of Cogemat for the twelve months, instead of just for two months.

- **EBITDA, EBITDA Adj and EBIT**

EBITDA, EBITDA Adj and EBIT are considered alternative performance indicators, but are not measures defined on the basis of International Financial Reporting Standards ("IFRS") and may, therefore, fail to take into account the requisites imposed under IFRS in terms of determination, valuation and presentation. We are of the view that EBITDA, EBITDA Adj and EBIT are helpful to explain changes in operating performance and provide useful information on the capacity to manage indebtedness and are commonly used by analysts and investors in the gaming segment as performance indicators. EBITDA,

EBITDA Adj and EBIT must not be considered alternative to cash flows as a measure of liquidity. As defined, EBITDA, EBITDA Adj and EBIT may not be comparable with the same indicators used by other companies.

The EBIT refers to "Earnings before interest and taxes" indicated in the Comprehensive Income Statement.

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

EBITDA

	Year		*Change*	
amounts in thousands of Euro	***2015***	***2014***	***€***	***%***
EBIT	13,641	34,910	(21,269)	(60.9)
+ Depreciation of Property, plant and equipment	17,520	17,517	3	0.0
+ Amortisation of Intangible Assets	40,808	41,034	(226)	(0.6)
+ Net losses of value	11,921	(118)	11,803	>100
+ Other allocations	11,271	72	11,199	>100
Profit/(loss) before amortisation, depreciation, write-downs, financial income/expenses, taxes	**95,161**	**93,651**	**1,510**	**1.6**
+ Non-recurring (Revenues) / Costs	(9,641)	12,226	(21,867)	>100
EBITDA	**85,520**	**105,877**	**(20,357)**	**(19.2)**
+ Current portion of the provision for doubtful debts	4,670	5,593	(923)	(16.5)
EBITDA Adj	**90,190**	**111,470**	**(21,280)**	**(19.1)**

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

Profit/(loss) before taxes

	Year		*Change*	
amounts in thousands of Euro	***2015***	***2014***	***€***	***%***
EBIT	13,641	34,910	(21,269)	(60.9)
+ Earnings of companies consolidated using the equity method	135	(548)	683	>100
+ Financial income	1,184	1,740	(556)	(32.0)
+ Financial expenses	(60,802)	(60,124)	(678)	(1.1)
+ Net gains (losses) on exchange rates	(17)	(12)	(5)	(41.7)
Profit/(loss) before taxes	**(45,859)**	**(24,034)**	**(21,825)**	**90.8**

B.2 Non-recurring revenues and costs

Summarised below are the non-recurring revenues and costs incurred for operating purposes (the Explanatory Notes state the non-recurring revenues and costs as envisaged under Consob Resolution No. 15519 of 27 July 2006).

Non-recurring revenues and costs	**SNAI**	**SNAI Group**
thousands of Euro	**Year 2015**	**Year 2015**
Non-recurring revenues and costs		
Active trading	(30,789)	(30,789)
Costs related to active trading	5,276	5,276
Costs related to non-recurring consultancies	1,495	3,518
Allocation to the provision for doubtful debts	6,238	7,122
Administrative Fines and Taxes for PREU	142	142
Losses on settlement of disputes	900	1,113
Leaving incentives	2,943	3,977
Impact on EBITDA	**(13,795)**	**(9,641)**

With regard to the foregoing figures, the Board of Directors believes that such figures are non-recurring and extraordinary in nature.

B.3 Investments

With the exception of the investments which enter the Group due to the business combinations which took place during the years for a total of Euro 185,948 thousand, mainly due to the merger of the Cogemat Group, the SNAI Group incurred the following investments

a. Property, plant and equipment in a total amount of Euro 9,469 thousand, broken down as follows:

	€ /000
land and buildings	4,028
plant and machinery	4,873
industrial and commercial equipment	54
other assets	509
assets in progress and down payments	5

b. Intangible assets in a total amount of Euro 5,859 thousand, broken down as follows:

	€ /000
patents and copyrights	819
concessions, licenses and the like	1,540
other	3,207
assets in progress	293

B.4 Economic and Financial Performance of the Company and the Group

Total revenues of the Group, including operating and other revenues, reported an increase of 19.8%, from Euro 527.5 million in 2014 to Euro 631.8 million in 2015.
Revenues from sales and services in 2015 amounted to Euro 599.3 million, disclosing an increase of 14% with respect to the Euro 525.6 million in 2014. This increase was mainly attributable to the change in the scope of consolidation deriving from the merger with the Cogemat Group, whose revenues have been included in the Group's income statement as from November for a value of Euro 83.7 million. Net of the consolidation of Cogemat, the revenues would be down by around Euro 10 million compared with 2014, mainly due to the greater payout registered on the sporting bets, the drop in the Virtual Race revenues and the lack of contribution from the SIS and Finscom business in the first few months of the years, only partly offset by the growth within the Gaming Machines sphere.
Irrespective of the merger with Cogemat, 2015 reported an increase in revenues deriving from the ADI sector (AWP and VLT) and the company Trenno S.r.l., essentially countered by the drop in revenues relating to sports bets and bets on virtual events. The revenues from the sports bets have decreased compared with last year due to the particularly high payout, which stood at 82.2% as opposed to 79% in 2014. This is joined by the effect, also common to the racing bets and those on simulated events, of minor wagers during 2015 when compared with 2014; this decrease was mainly due to the problems linked to the closure of the gaming points of the company SIS at the end of July. The above critical issues were solved with both the execution, on 22 July 2015, of a lease agreement envisaging the future purchase of SIS's business unit by SNAI Rete Italia S.r.l. and then the re-opening of the shops envisaged in the agreement itself.
By contrast, it should be emphasised how the bets taken on the on-line channel amounted to Euro 184.7 million (including the wagers of Cogetech in the last two months of the year, in any event of little significance on the aggregate figure) compared with Euro 138.7 million in the previous year, with an increase of 33.2%.

The weight of on-line sports bets, on a *pro forma* basis, came to 23.9% of total sports nets taken by the Group during 2015.
Net of the contribution brought by Cogetech in November and December, an increase was registered in the revenues of the AWPs due to the rise in the number of machines operating on average and a higher average coin-in per machine, while the growth in revenues of the VLTs was mainly attributable to the decrease in the payout of the games and the activities for rationalising the distribution network, achieved thanks to the optimisation of the number of terminals per sales point and the relocation of the same in higher performing locations.
The betting on virtual events generated revenues for Euro 36.6 million against Euro 44.2 million last year. This decrease was also attributable to the aforesaid temporary shutdown of some sales points.
Revenues from national horse racing and totalisator bets reported a drop, passing from Euro 20.7 million in 2014 to Euro 17.5 million in 2015.

Other revenue and income increased from Euro 1.9 million in 2014 to Euro 32.5 million in 2015. This increase is due, in the amount of Euro 27.5 million, to the transaction for the amicable settlement of the dispute between SNAI S.p.A., on the one side, and Barcrest Group Limited, The Global Draw Limited, and their parent company Scientific Games Corporation on the other side.

Group EBITDA for 2015 (which remember is net of non-recurrent operating revenues and costs), inclusive of the consolidation of the Cogemat Group, SNAI Rete Italia and Finscom, amounted to Euro 85.5 million as compared to Euro 105.9 million in 2014, down by 19.1%.
During 2015, a net positive effect was reported, connected with non-recurring costs and revenues, totalling Euro 9.6 million, against a negative effect of Euro 12.2 million in the previous year, which led to a "Pre-tax result, amortisation, depreciation,

write-downs, financial income/expense, taxation" of Euro 95.2 million in 2015 and Euro 93.7 million in 2014. It is worth noting that non-recurring revenues, amounting to Euro 27.5 million, were related to the above-mentioned transaction.

The Group's EBIT for 2015 was Euro 13.6 million compared with Euro 34.9 million in the previous year.

Group profit/(loss) before taxes for 2015 was a loss of Euro 45.9 million as compared to a loss of Euro 24.0 million in 2014. The result for the year was influenced by a number of factors, including (i) the extraordinary income relating to the Barcrest transaction, (ii) the negative impact of the additional contribution required by the 2015 Stability Law on gaming equipment, (iii) the write-downs consequent to the Impairment Test on the goodwill relating to the SIS business segment and the subsidiary Finscom S.r.l. and (iv) extraordinary provisions for disputes, transactions and risks on receivables.

The net financial indebtedness of the SNAI Group as of 31 December 2015 was equal to Euro 467.6 million, compared to Euro 419.1 million at the end of 2014. The deterioration of Euro 48.5 million is mainly due to the consolidation of the Cogemat Group. It should be mentioned that within the sphere of the Cogemat transaction, SNAI S.p.A. issued a bond for a nominal value of Euro 110 million which was used for repay Cogemat's existing debt in advance.

The parent company SNAI S.p.A. generated revenues for a total of Euro 530.2 million (inclusive of the effect of the Barcrest transaction), up by 3.4% compared to Euro 513 million in 2014. EBITDA (as defined in the EBITDA table, section B.1) is equal to Euro 81.2 million (Euro 104.1 million in 2014), while EBIT was positive for Euro 32.5 million (negative for Euro 35.1 million in 2014). The result for the year is negative for Euro 48 million (Euro -27.9 million in 2014) attributable essentially to the reasons already stated with regard to the Group's results of operations. The net financial indebtedness of SNAI S.p.A. as of 31 December 2015 was equal to Euro 523.9 million, compared to Euro 423.1 million at the end of 2014. The increase of Euro 100.8 million is mainly due to the afore-mentioned bond issue with an equivalent value of Euro 110 million.

B.5 Company's Balance Sheet and Income Statement

SNAI S.p.A. - Comprehensive Income Statement

amounts in thousands of Euro	**Year 2015**	**Year 2014**
Revenues from sales and services	497,366	510,484
Other revenue and income	32,838	2,479
Change in inventory of finished and semi-finished products	(16)	0
Raw materials and consumables	(272)	(712)
Costs for services and use of third party assets	(361,659)	(355,548)
Costs of personnel	(30,324)	(26,572)
Other operating costs	(44,399)	(39,511)
Capitalised internal construction costs	1,392	1,539
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**94,926**	**92,159**
Amortisation, depreciation and write-downs	(53,727)	(56,912)
Other provisions	(8,701)	(186)
Earnings before interest and taxes	**32,498**	**35,061**
Gains and expenses from shareholdings	(15,379)	(3,050)
Financial income	2,889	2,274
Financial expenses	(60,145)	(60,202)
Total financial income and expenses	**(72,635)**	**(60,978)**
PROFIT/(LOSS) BEFORE TAXES	**(40,137)**	**(25,917)**
Income tax	(7,865)	(1,973)
Profit (loss) for the year	**(48,002)**	**(27,890)**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	68	(145)
Other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**68**	**(145)**
Net (loss)/profit from derivatives as cash flow hedges	2,124	2,124
Other comprehensive income which will be restated under profit/(loss) for the year after taxes	**2,124**	**2,124**
Profit/(loss) in comprehensive income statement, after taxes	**2,192**	**1,979**
Total profit (loss) for the year	**(45,810)**	**(25,911)**

SNAI S.p.A. - Balance Sheet

amounts in thousands of Euro	31.12.2015	31.12.2014
ASSETS		
Non-current assets		
Property, plant and equipment owned	128,139	133,585
Assets held under financial lease	2,872	3,781
Total property, plant and equipment	**131,011**	**137,366**
Goodwill	231,088	231,088
Other intangible assets	69,375	102,655
Total intangible assets	**300,463**	**333,743**
Shareholdings in subsidiaries & associates	161,124	18,656
Shareholdings in other companies	46	46
Total shareholdings	**161,170**	**18,702**
Deferred tax assets	71,873	78,409
Other non-financial assets	1,250	1,776
Non-current financial assets	112,511	1,244
Total non-current assets	**778,278**	**571,240**
Current assets		
Inventories	418	456
Trade receivables	58,919	47,669
Other assets	30,695	26,505
Current financial assets	29,119	22,277
Cash and cash equivalents	53,978	66,922
Total current assets	**173,129**	**163,829**
TOTAL ASSETS	**951,407**	**735,069**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' Equity		
Share Capital	97,982	60,749
Reserves	92,097	12,865
Profit (loss) for the year	(48,002)	(27,890)
Total Shareholders' Equity	**142,077**	**45,724**
Non-current liabilities		
Post-employment benefits	1,625	1,699
Non-current financial liabilities	573,069	464,769
Deferred tax liabilities	56,466	57,929
Provisions for risks and charges	27,500	10,811
Sundry payables and other non-current liabilities	1,431	2,326
Total non-current liabilities	**660,091**	**537,534**
Current liabilities		
Trade payables	26,106	29,600
Other liabilities	109,094	94,356
Current financial liabilities	14,039	8,303
Current portion of long-term borrowings	0	19,552
Total financial liabilities	**14,039**	**27,855**
Total current liabilities	**149,239**	**151,811**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**951,407**	**735,069**

SNAI S.p.A. - Cash flow statement

	amounts in thousands of Euro	31.12.2015	31.12.2014
A.	**CASH FLOW FROM OPERATIONS**		
	Profit (loss) for the year	(48,002)	(27,890)
	Amortisation, depreciation and write-downs	53,727	56,912
	Write-downs and losses on shareholdings	8,639	3,049
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	3,927	(777)
	Change in provision for risks	16,671	(5,301)
	(Capital gains) capital losses from non-current assets (including shareholdings)	467	1,079
	Net change in sundry non-current trade assets and liabilities and other changes	(359)	(858)
	Net change in current trade assets and liabilities and other changes	(9,162)	10,271
	Net change in post-employment benefits	(104)	(12)
	CASH FLOW FROM (USED IN) FROM OPERATIONS (A)	**25,804**	**36,473**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investments in property, plant and equipment (-)	(8,082)	(10,150)
	Investments in intangible assets (-)	(4,691)	(7,725)
	Contributions to cover losses in shareholdings	(6,753)	(5,000)
	Shareholdings acquired	(1,833)	0
	Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	96	121
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)	**(21,263)**	**(22,754)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Change in financial receivables and other financial assets	(7,371)	3,641
	Intercompany loan	(110,738)	0
	Change in financial liabilities	13,463	5,712
	Entering of a bond loan	107,273	0
	Repayment of bond loans	(20,000)	0
	Increases/repayments of capital net of start-up and expansion costs	(140)	0
	Cash flow deriving from merger	28	0
	Changes in debts to betting agencies deferred through purchase of "concession" business units	0	(10)
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	**(17,485)**	**9,343**
D.	**CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)**	**0**	**0**
E.	**TOTAL CASH FLOW (A+B+C+D)**	**(12,944)**	**23,062**
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	**66,922**	**43,860**
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)**	**53,978**	**66,922**
	RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):		
	CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE YEAR, DETAILED AS FOLLOWS:		
	Cash and cash equivalents	66,922	43,860
	Bank overdrafts	0	0
	Discontinued operations	0	0
		66,922	**43,860**
	CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE YEAR, DETAILED AS FOLLOWS:		
	Cash and cash equivalents	53,978	66,922
	Bank overdrafts	0	0
	Discontinued operations	0	0
		53,978	**66,922**

SNAI S.p.A. - Net financial indebtedness

	(amounts in thousands of Euro)	31.12.2015	31.12.2014
A.	Cash on hand	137	155
B.	Other cash and cash equivalents	53,841	66,766
	- Banks	53,069	66,440
	- postal accounts	772	326
C.	Securities held for trading	1	1
D.	**Liquidity (A)+(B)+(C)**	**53,979**	**66,922**
E.	Current financial receivables	9,264	2,615
	- financial current account with subsidiaries	8,889	2,615
	- interest expense on loans	375	0
F.	Current bank debts	66	40
G.	Current portion of non-current indebtedness	0	19,552
H.	Other current financial payables:	13,973	8,263
	- for interest on bond loans	2,166	2,148
	- financial current account with subsidiaries	10,504	4,932
	- for acquisition of sports and horseracing concessions	32	32
	- to other lenders	1,271	1,151
I.	**Current financial indebtedness (F)+(G)+(H)**	**14,039**	**27,855**
J.	**Net current financial indebtedness (I)-(E)-(D)**	**(49,204)**	**(41,682)**
K.	Non-current bank debts	0	0
L.	Bonds issued	573,030	463,561
M.	Other non-current payables:	39	1,208
	- to other lenders	39	1,208
N.	**Non-current financial indebtedness (K)+(L)+(M)**	**573,069**	**464,769**
O.	**Net financial indebtedness (J) + (N)**	**523,865**	**423,087**

B.6 Group Balance Sheet and Income Statement

SNAI Group - Consolidated Statement of Comprehensive Income

amounts in thousands of Euro	**Year 2015**	**Year 2014**
Revenues from sales and services	599,263	525,551
Other revenue and income	32,546	1,930
Change in inventory of finished and semi-finished products	(16)	0
Raw materials and consumables	(518)	(917)
Costs for services and use of third party assets	(439,594)	(357,873)
Costs of personnel	(45,110)	(35,969)
Other operating costs	(52,802)	(40,610)
Capitalised internal construction costs	1,392	1,539
Profit/(loss) before amortisation, depreciation, write-downs, financial income/expenses, taxes	**95,161**	**93,651**
Amortisation, depreciation and write-downs	(70,249)	(58,669)
Other provisions	(11,271)	(72)
Earnings before interest and taxes	**13,641**	**34,910**
Gains and expenses from shareholdings	135	(548)
Financial income	1,192	1,742
Financial expenses	(60,827)	(60,138)
Total financial income and expenses	**(59,500)**	**(58,944)**
PROFIT/(LOSS) BEFORE TAXES	**(45,859)**	**(24,034)**
Income tax	(8,372)	(2,048)
Profit (loss) for the year	**(54,231)**	**(26,082)**
(Loss)/profit from re-measurement on defined benefit plans after taxes	(129)	(288)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**(129)**	**(288)**
Net (loss)/profit from derivatives as cash flow hedges	2,124	2,124
Profit/(Loss) from available-for-sale financial assets	(100)	0
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	**2,024**	**2,124**
Total profit/(loss) in comprehensive income statement, after taxes	**1,895**	**1,836**
Total profit (loss) for the year	**(52,336)**	**(24,246)**
Attributable to:		
Profit (loss) for the year pertaining to the Group	(54,231)	(26,082)
Profit (loss) for the year pertaining to Third Parties	0	0
Total profit (loss) for the year pertaining to the Group	(52,336)	(24,246)
Total profit (loss) for the year pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	(0.44)	(0.22)
Diluted earnings (loss) per share in Euro	(0.44)	(0.22)

SNAI Group - Consolidated balance sheet

amounts in thousands of Euro	31.12.2015	31.12.2014
ASSETS		
Non-current assets		
Property, plant and equipment owned	(144,207)	(140,142)
Assets held under financial lease	2,936	3,782
Total property, plant and equipment	**147,143**	**143,924**
Goodwill	306,203	231,531
Other intangible assets	166,057	102,857
Total intangible assets	**472,260**	**334,388**
Shareholdings measured using the equity method	2,490	2,318
Shareholdings in other companies	50	46
Total shareholdings	**2,540**	**2,364**
Deferred tax assets	100,160	80,004
Other non-financial assets	3,304	1,967
Financial Assets	1,773	1,244
Total non-current assets	**727,180**	**563,891**
Current assets		
Inventories	641	486
Trade receivables	136,169	58,486
Other assets	58,272	24,509
Current financial assets	21,432	19,663
Cash and cash equivalents	107,588	68,629
Total current assets	**324,102**	**171,773**
TOTAL ASSETS	**1,051,282**	**735,664**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity pertaining to the Group		
Share Capital	97,982	60,749
Reserves	91,874	13,434
Profit (loss) for the year	(54,231)	(26,082)
Total Shareholders' Equity pertaining to the Group	**135,625**	**48,101**
Shareholders' Equity pertaining to minority interests		
Total Shareholders' Equity	**135,625**	**48,101**
Non-current liabilities		
Post-employment benefits	8,641	4,602
Non-current financial liabilities	573,101	464,769
Deferred tax liabilities	70,937	58,593
Provisions for risks and charges	27,099	10,838
Sundry payables and other non-current liabilities	6,264	2,336
Total non-current liabilities	**686,042**	**541,138**
Current liabilities		
Trade payables	42,365	32,385
Other liabilities	183,686	91,117
Current financial liabilities	3,564	3,371
Current portion of long-term borrowings	0	19,552
Total financial liabilities	**3,564**	**22,923**
Total current liabilities	**229,615**	**146,425**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,051,282**	**735,664**

SNAI Group - Consolidated Cash Flow Statement

	amounts in thousands of Euro	**31.12.2015**	**31.12.2014**
A.	**CASH FLOW FROM OPERATIONS**		
	Profit (loss) for the year pertaining to the Group	(54,231)	(26,082)
	Profit (loss) for the year pertaining to Third Parties	0	0
	Amortisation, depreciation and write-downs	70,249	58,669
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	6,047	(695)
	Change in provision for risks	10,509	(5,779)
	(Capital gains) capital losses from non-current assets (including shareholdings)	538	1,085
	Portion of earnings pertaining to shareholdings measured using the equity method (-)	(135)	548
	Net change in sundry non-current trade assets and liabilities and other changes	(4,822)	(841)
	Net change in current trade assets and liabilities and other changes	(651)	14,635
	Net change in post-employment benefits	915	(182)
	CASH FLOW FROM (USED IN) OPERATIONS (A)	**28,419**	**41,358**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investments in property, plant and equipment (-)	(9,479)	(10,844)
	Investments in intangible assets (-)	(5,859)	(7,746)
	Acquisition of a business unit	(1,300)	0
	Acquisition of shareholdings in subsidiaries, net of acquired cash and cash equivalents	38,156	0
	Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	631	130
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)	**22,149**	**(18,460)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Change in financial receivables and other financial assets	9,328	(1,493)
	Change in financial liabilities	1,068	1,735
	Repayment of financing	(20,000)	0
	Repayment of Cogemat loans	(54,740)	0
	Repayment of Cogemat bond loans	(53,925)	0
	Discharge of Cogemat hedging derivative	(473)	0
	Issue of bond loans	107,273	0
	Capital increase accessory charges	(140)	0
	Changes in debts to betting agencies deferred through purchase of "concession" business units	0	(10)
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	(11,609)	232
D.	**CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)**		
E.	**TOTAL CASH FLOW (A+B+C+D)**	38,959	23,130
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	68,629	45,499
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**		
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**	**107,588**	**68,629**
	RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):		
	CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
	Cash and cash equivalents	68,629	45,499
	Bank overdrafts		
	Discontinued operations		
		68,629	**45,499**
	CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
	Cash and cash equivalents	107,588	68,629
	Bank overdrafts		
	Discontinued operations		
		107,588	**68,629**

SNAI Group - Net financial indebtedness

thousands of Euro	31.12.2015	31.12.2014
A. Cash on hand	1,338	203
B. Other cash and cash equivalents	106,250	68,426
bank accounts	*105,478*	*68,100*
postal accounts	*772*	*326*
C. Securities held for trading	1,484	1
D. Liquidity (A) + (B) + (C)	**109,072**	**68,630**
E. Current financial receivables	**0**	**0**
- escrow account	0	0
F. Current bank debts	71	40
G. Current portion of non-current indebtedness	0	19,552
H. Other current financial payables	3,493	3,331
- for interest on bond loans	2,166	2,148
- for acquisition of sports and horse racing concessions	32	32
- to other lenders	1,295	1,151
I. Current financial indebtedness (F) + (G) + (H)	**3,564**	**22,923**
J. Net current financial indebtedness (I) - (E) -(D)	**105,508**	**45,707**
K. Non-current bank debts	0	0
L. Bonds issued	573,030	463,561
M. Other non-current payables	71	1,208
- to other lenders	71	1,208
N. Non-current financial indebtedness (K) +(L) + (M)	**573,101**	**464,769**
O. Net financial indebtedness (J) + (N)	**467,593**	**419,062**

B.7 Covenants

As is customary for loans of this kind, outstanding Loan Agreements (revolving credit line and bond loans) prescribe a number of obligations for the Group.

The above-mentioned agreements provide, in accordance with common practice in similar transactions, that the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the restrictions on the distribution of dividends until expiration of other bond loans, as well as restrictions on the early repayment of bonds, in taking on financial indebtedness and in making specific investments and disposing of corporate assets and properties. Events of default are also specified, which may make it necessary for the lenders to demand early repayment.

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A., Deutsche Bank S.p.A. and J.P. Morgan Chase Bank, N.A., Milan Branch relating to a Senior Revolving loan for a total amount of Euro 55 million.

In particular, we refer to the requirement to maintain a given minimum level of “Consolidated Pro-Forma EBITDA”. “Consolidated Pro-Forma EBITDA” is defined in the loan agreement and indicates the consolidated earnings before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items.

The Group is also obliged to provide its lenders with periodic information on its cash flows and income, and key performance indicators, including EBITDA and net financial indebtedness.

It is noted that, as at 31 December 2015, the Group was compliant with commitments and covenants.

B.8 Reconciliation of the result for the year ended 31 December 2015 and the shareholders' equity of the group with analogous amounts for the parent company

	Profit (loss) for the year		Shareholders' Equity	
thousands of Euro	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Financial Statements SNAI S.p.A.	**(48,002)**	**(27,890)**	**142,077**	**45,724**
Excesses in net assets, including the results of operation with respect to the figures related to the consolidated companies	26,722	(753)	(38,006)	(8,684)
- dividends distributed during the year				
Valuation of shareholdings in affiliates using the equity method including:				
- profit for year	135	(549)	385	250
- dividends distributed during the year				
Cancellation depreciation/appreciation of shareholdings	22,534	3,049	33,693	11,159
Accessory charges on Cogemat acquisition	(1,823)	0	(1,823)	0
Other adjustments	(353)	61	(701)	(348)
Total pertaining to the Group	**(54,231)**	**(26,082)**	**135,625**	**48,101**
Portion pertaining to the minority shareholders				
Total consolidated financial statements	**(54,231)**	**(26,082)**	**135,625**	**48,101**

C. SNAI'S MARKET AND PERFORMANCE

C.1 SNAI/Cogetech's performance in the operating context

The activities of the companies operating in the Gaming and Betting segment have been carried out and regulated by licenses issued by the Regulatory Authority AAMS – Amministrazione Autonoma dei Monopoli di Stato (in application of Italian Decree Law No. 95 of 6 July 2012, as from 1 December 2012, the Agenzia delle Dogane [Customs Agency] incorporated the AAMS and took on the new name of Agenzia delle Dogane e dei Monopoli, ADM [Customs and Monopoly Agency]. Hereinafter AAMS or ADM) through European Tender Procedures completed from time to time.

Over the years, the gaming market has undergone a considerable evolution in terms of products offered, gaming methods, gaming channels, numerousness of the operators and reference legislative framework.

The SNAI group, from time immemorial leader in the Betting segment and one of the main operators in the gaming market, was able to further strengthen its leadership position as from November 2015 by means of the merger with the Cogemat Group. Furthermore, by means of the Paymat trademark the Snai/Cogetech group (hereinafter also "Snaitech", also abbreviated in the follows table as "St") has become an important player within the sphere of the supply of recharge and payment services: in 2015, revenues came to Euro 108 million (+20% with respect to 2014 thanks to the extension of the services offered and the distribution network).

The market performances and the balances of the new group are presented below. For greater clarity in terms of statement, the 2015 figures of the new group are stated in aggregate form, or rather considering a contribution of the Cogemat group for all the 12 months of the year both for 2015 and 2014.

The sports betting acceptance network of the SNAI/Cogetech Group is characterised by widespread diffusion throughout Italy and is comprised of over 2,227 gaming points, of which approximately 1,569 with a direct gaming concession (of which 1,391 with the SNAI Brand and 178 Iziplay) and the remaining ones with the supply of specialised services to the Company's Concession Holder clients (of these 561 SNAI and 97 Cogetech).

The collections of the sports betting segment at national level in 2015 reached Euro 5,559 million, up by 31.9% compared to 2014: this growth, driven above all else by the on-line channel, was largely due to the entry into the Italian market of new and important international operators. The so-called Live bets (or rather those made while the event is underway) have further increased their share of appreciation care of the consumer public (they are worth around 41.0% of the total): the success of this type of gaming drove the development of the offer of events on the complementary Schedule (Palinsesto Complementare), an instrument through which concession holders are able to offer events not directly managed by the Customs and Monopoly Agency, thus meeting the players' expectations. An additional market trend element is represented by the increasingly greater presence of instruments for mobile gaming.

The horse racing bet market decreased compared to 2014, with wagers amounting to Euro 636 million (-6.6%): The Agency Bets (or rather wagers solely in Shops) with 478 million wagers, lost 3.2% compared to 2014 while National Horse Racing saw wagers for 158 million, down 15.75% on 2014. Fixed rate National Horse Racing Betting has grown in importance. Despite it is still a niche segment within the sphere of Agency Bets as the figure collected comes to 67.7 million, it by now represents 10.63% of the total and the wagers rose 22% with respect to 2014.

Betting on Virtual Events in 2015 reported wagers totalling Euro 1,067 million, down compared to 2014 (-7.1%).

The Gaming Machines segment in 2015 amounted to Euro 48,436 million, up 3.1% with respect to the previous year: in terms of product, both VLTs (+3.8%) and AWPs (+2.5%) grew.

In the third party online gaming services (GAD) segment, the market reported important growth in Casino games (Roulette and online Slots) and a more limited growth for tournament style card games thanks to tournaments with variable jackpots. Conversely, cash style card games (especially Poker) reported decreased wagers, no longer meeting the favour of players. Overall, this segment is worth Euro 13,320 million, +7.3% with respect to 2014.

The Snai/Cogtech Group performances in 2015 were partly invalidated by the closure of two important chains of shops for administrative reasons for long periods of time: The Finscom group (8 shops) did not work for 3 months while SIS S.r.l. (55 shops) was able to resume activities only as from August/September; in both cases, the company had to intervene with rescue operations to preserved the goodwill and assets (a description of said action is provided in other parts of this document). Overall, the Group obtained a share of 14.6% of the reference market, down slightly with respect to 2014.

Other elements worthy of note in 2015 were the on-going improvement in the number of the events offered exploiting the opportunities of the so-called Complementary Schedule (Palinsesto complementare); the extension of the number of Live events listed (54 thousand compared with 9 thousand in 2014; the launch of a new mobile app for sports bets; the use of new and more efficient communication and acquisition campaigns in particular for on-line customers; furthermore, a new VLT platform (the IV, Inspired supplier) was launched on the Cogetech network. At process level, there was the implementation of a new tool for the control and acceptance of the bets (Betreferall). In conclusion, further to the afore-mentioned merger transaction, the process for modifying the organisational structure started, in particular with reference to the first line of reporting of the Managing Director.

C.2 SNAI / Cogetech: market shares

Figures in millions of Euro	2015 (Pro forma)						2014 (Pro forma)					
Gaming or Betting	Snai	Cogetech	Snaitech	QM S	QM C	QM St	Snai	Cogetech	Snaitech	QM S	QM C	QM St
Section 6A (AWPs)	1,677.3	2,382.9	4,060.1	6.4%	9.2%	15.6%	1,447.6	2,308.8	3,756.4	5.7%	9.1%	14.8%
Section 6B (VLTs)	1,364.8	2,047.7	3,412.4	6.1%	9.2%	15.4%	1,394.8	1,907.0	3,301.8	6.5%	8.9%	15.4%
Section 7	-	-	-	0.0%	0.0%	0.0%	-	-	-	0.0%	0.0%	0.0%
Gaming machines	*3,042.1*	*4,430.5*	*7,472.6*	*6.3%*	*9.1%*	*15.4%*	*2,842.4*	*4,215.8*	*7,058.2*	*6.0%*	*9.0%*	*15.0%*
Physical sports betting	796.5	89.4	885.9	29.6%	3.3%	32.9%	847.2	106.2	953.4	32.3%	4.0%	36.4%
On-line sports betting	182.8	8.9	191.7	6.4%	0.3%	6.7%	138.7	8.1	146.8	8.7%	0.5%	9.2%
Pool betting	3.3	0.0	3.4	10.0%	0.1%	10.0%	3.9	-	3.9	10.8%	0.0%	10.8%
Horse and National Horse Race Betting	286.7	32.1	318.8	45.0%	5.0%	50.1%	326.5	39.8	366.3	47.9%	5.8%	53.7%
Betting on Virtual events	378.0	67.8	445.8	35.4%	6.4%	41.8%	451.6	61.2	512.8	39.3%	5.3%	44.7%
Betting	*1,647.3*	*198.2*	*1,845.5*	*22.6%*	*2.7%*	*25.3%*	*1,768.0*	*215.3*	*1,983.2*	*29.1%*	*3.5%*	*32.6%*
Remote skill games (Skill Games, Casino Games and Bingo)	719.3	*52.1*	771.4	*5.4%*	*0.4%*	*5.8%*	738.9	*42.4*	781.3	*6.0%*	*0.3%*	*6.3%*
Total Snaitech Group	**5,408.6**	**4,680.8**	**10,089.5**	**7.8%**	**6.8%**	**14.6%**	**5,349.2**	**4,473.5**	**9,822.7**	***8.2%***	***6.8%***	***15.0%***

Source: External processing / QM calculated on AAMS data as at January 2016, inclusive of providing networks.

C.2.1 Gaming Machines

The SNAI/Cogtech Group is the second most important market operator with a market share of 15.4%, up with respect to 2014.

At the end of the period, in the AWP segment the SNAI/Cogetech Group had 63,548 authorisations to operate (of which 26,298 SNAI and 37,250 Cogetech) in around 17,009 concerns throughout the country (of which 7,900 SNAI and 9,109 Cogetech), and owns 10,278 licenses to operate through VLTs (of which 5,052 SNAI and 5,226 Cogetech) of these, at the end of the period under review, 9,911 devices are active (of which 4,851 SNAI and 5,060 Cogetech) in 1,270 premises (of which 749 SNAI and 521 Cogetech). The remaining VLTs are currently in the roll-out phase in more successful premises.

Volumes of wagers in the Gaming Machines segment as at 31 December 2015, improved compared to figures reported in the previous year by 5.9%, from Euro 7,058 million to Euro 7,473 million: the wagers of AWPs grew sharply in 2015 (+8.1% with Euro 4,060 million in 2015 compared with Euro 3,756 million in the previous year); the result of the VLTs was also good (+3.4% with Euro 3,412 million in 2015 compared with Euro 3,302 million in 2014).

With regard to VLTs, these results have been achieved by means of important action on the supply (launch of the IV platform on the Iziplay channel) and the on-going optimisation of the distribution (in particular on the SNAI network by means of the repositioning of 927 VLTs in premises with higher performance and the contracting of 221 new premises) despite the new stricter local regulations on distances and timetables, which significantly limited the opening of new arcades and the investment willingness of operators.

In the AWPs segment, action continued for the optimisation of the distribution and supply via new titles (+12.5% of Coin on the Snai network and +10.6% on the Cogetech network), the installation of proprietary equipment in selected SNAI Points with the aim of improving the quality of the product and the services offered as well as the yield confirming the validity of the model for disintermediation and quality enhancement through the creation of partnerships with leading operators so as to improve the performance of premises, speed up the development of the network AWPs, increase the competitiveness, guarantee the widest coverage and increase the reliability of partners.

C.2.2 Collection of wagers at SNAI betting acceptance points

During 2015, the SNAI/Cogetech group was the leader in the betting segment (horse race, sports and simulated events betting), with a total market share of 25.3%. This performance, as mentioned, was achieved despite not being able to count for long periods of time on the support of 55 SIS Shops and 8 Finscom Shops, an element which, together with the rising level of competitive pressure, led to a loss of 7.3 percentage points in the market share.

With regard to sports betting, the SNAI/Cogetech Group is the market leader for the physical channel with a market share of 32.9% and one of the leading operators on the on-line channel with a market share of 6.7%; the SNAI/Cogetech Group is confirmed as the leading operator in the segment of horse-based gaming with an overall share of 50.1% and also maintains its position as leader on the market of wagers on simulated events with a share of 41.8%

C.2.2.1 Betting on events other than horse races ("Sports-based Gaming")

Betting on events other than horse races is comprised of soccer games, tennis and basketball matches and other Olympic sports, events related to motor racing (Formula 1, Motomondiale, Superbike), and other events (Oscars, Sanremo Festival, television reality shows, etc.), as well as events proposed directly by concession holders (complementary betting schedule).
During 2015, the market increased 31.9% thanks to the development of new products (Live and Complementary), the entrance of new foreign operators on the online market, whose activities were not previously included in the official statistics, and the extension of the network (Monti call for tender and regularisation of CTDs).
On the physical channel, total wagers of the SNAI/Cogetech Group for 2015 reported a drop of 7.1% passing from Euro 953 million in 2014 to Euro 886 million in 2015; with regard to the on-line channel, wagers collected rose to Euro 192 million compared with Euro 147 million in 2014.

C.2.2.2 Horse race betting

As in previous years, the horse betting market suffered a further drop of 6.6%, due to the well-known problems, when compared with 2014; bets made on horse races at physical and virtual points bearing the SNAI and Iziplay brand (betting agencies, shops and corners and on-line) in 2015 amounted to Euro 319 million, down 13% compared with 2014.

C.2.2.3 Bets on simulated events (“virtual bets”)

Bets on simulated events are games of chance with a fixed payout in which the bettor selects from among the most probable events and is rewarded with a pre-set amount if the prognostic was correct. Both the SNAI platform and the Cogetech platform - the supplier is the same - propose several disciplines of simulated events: Soccer games, car racing, cycling, speedway, dog racing, harness racing and horse racing, tennis matches. All the environments are personalised and the harness and horse racing in particular for the SNAI platform are set in the corporate racetracks of Milan and Montecatini as well. The bets that are most popular with the public are offered and the amounts are calculated on the probability that an event will occur.
In 2015, the market underwent a slowdown: -7.1% compared to 2014; the SNAI/Cogetech Group collected Euro 446 million, down 13.1% when compared with 2014.

C.2.3 The digital area

In 2015, the Digital segment (Bingo, cash and tournament style card games, Casino games and On-line Slots) reported wagers of Euro 771 million compared to Euro 781 million in 2014. The market shares for this segment amounts to 5.8%.

D. MATERIAL EVENTS

D.1 Barcrest Transaction

In the last few months of 2014 and in the first weeks of 2015, negotiations continued between SNAI, on the one part, and Barcrest Group Limited and The Global Draw Limited on the other part, to reach an amicable settlement of the legal dispute as well as at a series of pending cases which arose between the parties following the well-known facts occurred in April 2012, for which on 19 February 2015, a transaction with the companies involved and their counterpart Scientific Games Corporation was concluded. Due to the above, SNAI waived the actions in the Roman case that, at the same date, following the joint request submitted by the parties, was declared cancelled, with legal expenses offset, and reached an agreement with the above companies on pending cases and the payment of damages and costs already borne, including some guarantees on the cases themselves.
With respect to the aforesaid agreement, on the same date, SNAI received the payment of Euro 25 million, less around Euro 2.5 million receivables owed to Barcrest vis-à-vis SNAI which, due to the transaction, has not been paid.

D.2 Events relating to the Management Body/Shareholders' Meeting held on 28 April 2015

On 23 March 2015, the Director Sergio Ungaro resigned from his office.

On 28 April 2015, the SNAI S.p.A. Shareholders' Meeting:
- approved the financial statements ending 31 December 2014, as well as coverage of the losses;
- reinstated the Board of Directors appointing Mr. Marcello Agnoli and Ms. Stefania Rossini, who will remain in office until the approval of the financial statements as at 31 December 2015. Mr. Agnoli and Ms. Rossini have the requirements for the office of Director, as set out by laws and regulations in force and applicable to listed companies and have the status of independent Directors;

- it also resolved to approve the Financial Statements as at 31 December 2014 of the companies "Festa S.r.l.", held by a sole quotaholder, and "Immobiliare Valcarenga S.r.l.", held by a sole quotaholder, merged into SNAI S.p.A. with legal, accounting and tax effect on 1 January 2105.

Effective on 9 July 2015, the Director Stefania Rossini resigned from her office.
The Company's Board of Directors met on 9 July 2015 and assigned the office, by co-optation, to Gabriele Del Torchio until the next Shareholders' Meeting.
Effective on 12 July 2015, the Director Giorgio Sandi (Chairman and Managing Director) resigned from his offices and waived all his powers.
The Board of Directors, held on 13 July 2015, assigned the office of Chairman of the Board of Directors and Managing Director to Del Torchio, while assigning him the same powers already conferred to Mr. Sandi.

On 28 September 2015, the ordinary Shareholders' Meeting appointed Mr. Gabriele Del Torchio (already co-opted as member of the Board of Directors on 9 July 2015, following the resignation of Mrs. Stefania Rossini) and Mr. Carlo Gagliardi (replacing Mr. Giorgio Sandi, resigned as from 12 July 2015), in order to complete the number of members in the Company's Board of Directors (14 members).
Mr. Gabriele Del Torchio and Mr. Carlo Gagliardi have the requirements for the office, as set out by laws and regulations in force applied to listed companies.
As this is a proposal to supplement the Board of Directors with the appointment of Mr. Gabriele Del Torchio and Mr. Carlo Gagliardi, the Shareholders' Meeting resolved with the majority of votes, pursuant to law and provisions set out by the Company's Articles of Association; in fact, the voting procedure based on lists is not applicable in this case as this is envisaged by the Company's Articles of Association only in the event the Board of Directors is renovated in its entirety.
Mr. Gabriele Del Torchio and Mr. Carlo Gagliardi will remain in office until expiration of the entire Board of Directors, i.e. until approval of the financial statements ended 31 December 2015.

On 23 November 2015, further to the finalisation, on 19 November, of the transaction for the conferral in SNAI of the entire share capital of Cogemat, SNAI’s Board of Directors appointed Fabio Schiavolin as the Managing Director of the new Group. Mr. Schiavolin was also confirmed as the Managing Director of Cogemat SpA. Gabriele Del Torchio maintained the office of executive Chairman of the Company.

D.3 Incorporation of a new company

On 3 April 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10 thousand, also aimed at the acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points.

D.4 Acquisition of Finscom S.r.l.

On 1 April 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l., in liquidation and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law.
In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on 8 April 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom.
Following the waive by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09.
At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.
Finscom's Ordinary Shareholders' Meeting, held on 8 April 2015, resolved on the appointment of a new Board and a new control body, which entered into office upon revocation of the liquidation position, or after 60 days from the registration at the Company's Register pursuant to Art. 2487-ter of the Italian Civil Code.

D.5 New developments to the case related to the SIS S.r.l. operator in liquidation

On 25 March 2015, SIS S.r.l. was admitted to the agreement with creditors with decree issued by the Court of Rome. Mrs. Anna Maria Soldi was appointed as Bankruptcy Judge and Mr. Tiziano Onesti as Judicial Liquidator.
The hearing of creditors before the Judicial Liquidator was held on 5 May 2015.
Within this context, SIS S.r.l., in liquidation and under composition with creditors, published a call for interest for the rental and following purchase of a business unit in the "Sole 24 Ore" newspaper on 9 April 2015. The BU included 55 sales points managed by this company according to agreements with SNAI S.p.A. until the cessation of the services carried out by the same as a form of self-remedy.
SNAI S.p.A. therefore asked and obtained to be admitted to the selection opened by the SIS proceeding and submitted a fixed, binding and irrevocable offer, with the term of 45 days, for the rental and purchase of the business unit.
SNAI S.p.A.'s offer, drawn up also in the name and on behalf of the subsidiary SNAI Rete Italia S.r.l., strives to allow the composition with creditors to achieve the following:

(a) the entire satisfaction of preferential and 100% unsecured creditors;
(b) the entire payment of pre-deductible costs and of the so-called "cash flows related to the period";
(c) the waiver of the entire receivables of SNAI S.p.A. with respect to SIS on 21 January 2015, both principal and interest, for a total amount of around Euro 12.9 million upon transfer of the Business Unit;
(d) the immediate operation of the Business Unit until end of selection;
(e) the commitment of SNAI S.p.A. to guarantee payments made by SIS with respect to some potential liabilities;
(f) the continuation of pending agreements SNAI S.p.A./SIS, with no necessity of disbursement by SIS of the indemnity recognised in favour of SNAI by Art. 169-bis of the Law on Bankruptcy, for the remaining 7 years of duration of the agreements on AWPs/VLTs, and until 30 June 2016 for agreements on betting.

The offer of SNAI S.p.A. was deemed as the most convenient and, after receiving the authorisation from the Court of Rome on 23 June 2015, the lease and transfer agreement of the company of SIS (substantially equal to the offer) was signed on 7 July 2015 before the Notary Giorgio Perrotta in Rome, between SNAI S.p.A. and SNAI Rete Italia S.r.l. (on the one part) and SIS (on the other part). The effective date of the lease and transfer agreement of SIS's company has been deferred until conclusion of consultations as per Art. 47, par. 1 of Law 428/1990, instrumental to the lease and subsequent transfer of the Business Segment. The lease agreement entered in force on 22 July 2015. Today, 54 out of 55 gaming shops have been re-opened as, for the shop in Palermo, Via Empedocle Restivo, the lease agreement is still under negotiation (already expired at the effective date of the lease agreement). The hearing at the Court of Rome for the endorsement of the composition with creditors was held on 3 November 2015. For the events occurring after the end of the year, please see section L.2.2.

D.6 Repayment of Class B Bonds issued on 8 November 2013

On 5 May 2015, SNAI entirely reimbursed Class B bonds, in the amount of Euro 20,000 thousand, issued on 8 November 2013.

D.7 Signature of the agreement for the merger of the Cogemat/Cogetech Group with the SNAI Group, resolution for SNAI's share capital increase and signature of the transfer deed for the acquisition of the Cogemat/Cogetech Group

On 13 July 2015, after the proposal made by OI Games S.A. and OI Games 2 S.A ("Majority Shareholders") - accepted on 5 May 2015 by SNAI - the favourable opinion of SNAI's related party committee and the positive outcome of the due diligence, the investment agreement was signed between SNAI, the Majority Shareholders and International Entertainment S.A. (50% shareholder of OI Games 2 S.A., equally with OI Games S.A.) for the merger of the assets of the Cogemat/Cogetech Group with the assets of the SNAI Group through a transfer into SNAI's share capital.
The investment agreement envisaged that the transfer into SNAI involved at least the equity investments of the Majority Shareholders in Cogemat (equal to 75.25% of the related share capital), with the possibility for all the other shareholders in Cogemat (24.75% of the share capital) to adhere to the investment agreement by 5 August 2015. At that date, 100% of Cogemat Shareholders, i.e. the entire share capital, had adhered.
With the transfer of Cogemat's entire share capital, after the actual merger, the former shareholders of Cogemat hold 71,602,410 newly issued SNAI shares (38% of the share capital after the share capital increase, instrumental to the transfer).
In the event that all conditions precedent envisaged in the investment agreement be fulfilled, it was envisaged that the merger transaction might be fully effective, as in fact occurred, by the end of November 2015. The request for the listing of newly-issued SNAI shares should have taken place by the end of 2015.
The merger transaction created a first listed pole in Italy, dedicated to entertainment and will allow the new SNAI Group to become the Italian leader of gaming not under monopoly regime, thus consolidating its position in the gaming machines segment. In this segment, the company will be co-leader in the market with a share higher than 15%, thus strengthening the Group leadership in the segment of horse race and sports betting.
On 28 September 2015, the extraordinary Shareholders' Meeting resolved on a divisible increase with consideration of SNAI's share capital, excluding the option right pursuant to Art. 2441, par. four, first sentence, of the Italian Civil Code, for a maximum nominal amount of Euro 37,233,253.20, through the issue of 71,602,410 maximum new ordinary shares of the Company. The latter are to be released by the current shareholders of Cogemat through the payment by kind of 100% of the ordinary shares held by them in Cogemat share capital. On 30 September 2015, the above-mentioned transfer deed was signed in the presence of a share capital increase of Euro 37.2 million and a share premium of Euro 102.8 million, for a total of Euro 140.0 million and with efficacy as from 1 October 2015, provided that the related conditions precedent be fulfilled. According to the above terms and conditions, from the transfer deed signature, 30 days shall elapse without a new assessment of the transfer value being requested by those entitled to do so, pursuant to Articles 2343 *quater* and 2440 of the Italian Civil Code, the approval to the merger shall be issued by the Albanese Antitrust Authority and the approval deed to the merger shall be issued by the Agenzia delle Dogane e dei Monopoli, and the pledges cast on a portion of shares subject to transfer, and on shares in certain subsidiaries of Cogemat shall be fully discharged.
As of 19 November 2015, all the conditions precedent had been fulfilled and the merger transaction formally completed as of the same date. The request for the listing of SNAI shares, resulting from the share capital increase, should take place within the first half of 2016.

D.8 Issue of a non-convertible, guaranteed, senior bond loan

On 20 July 2015, the Board of Directors of SNAI S.p.A. approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity term estimated on 15 June 2018.

The Bonds, reserved to qualified investors, were destined to be listed on one or more regulated markets or in one or more Italian or European multilateral systems.
As regards the merger with the Cogemat group, revenues resulting from the issue of Bonds were used by the Company for the partial early cash repayment of payables resulting from some loans related to Cogemat and/or its subsidiaries.
As regards the issue of Bonds, the Board of Directors also approved a preliminary information document named "Preliminary Offering Memorandum", which contained the most significant information on Bonds. The Preliminary Offering Memorandum can be consulted on the Company's internet site, www.snaigroup.it in the “Investor Relations” Section.
At completion of the bookbuilding activity, on 21 July 2015 SNAI carried out the pricing of the guaranteed senior bond loan (Euro 110,000,000, 7.625% Senior Secured Notes) for a total principal up to Euro 110 million, with maturity term on 15 June 2018, at an issue price of 102.5%.
The Bond issue and regulation took place on 28 July 2015. The related amounts are credited on an escrow account until the occurrence of the conditions precedent and upon enforceability of the transaction. On 18 November 2015, on occurrence of the conditions precedent, the funds of the escrow account were released, the loans pertaining to the Cogemat group companies were repaid and on 19 November 2015, further to the integral cancellation of the pledges afforded to guarantee said loans, the merger transaction between the Cogemat group and the SNAI Group was formally completed.
Bonds were initially subscribed by J.P.Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed care of qualified investors.
The Bonds are listed on the Euro MTF market, organised and managed by the Stock Exchange of Luxembourg.

D.9 Increase in the Senior Revolving loan

On 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. On 28 July 2015, during the refinancing transaction linked to the merger of the Cogemat Group, UniCredit S.p.A. and J.P.Morgan Chase Bank N.A. undertook - on occurrence of certain conditions precedent including the effectiveness of the merger transaction for the Cogemat Group with the SNAI Group - to supplement the revolving facilities in the capacity of additional financing banks respectively for Euro 15,000 thousand and Euro 10,000 thousand. On 10 November 2015, on occurrence of all the conditions precedent, the afore-mentioned increase became utilisable taking the Senior Revolving Loan to a total of Euro 55,000 thousand. To-date, this credit facility has not been used.

D.10 The Stability Law payment

The Stability Law, approved by the Parliament at the end of December 2014, envisages, amongst other, that the total amount of Euro 500 million be charged to the distribution segment of gaming machines (both AWP and VLT). This amount is apportioned according to the number of machines related to each single concession holder, as quantified by a decree issued by ADM on 15 January 2015. Based on this decree, the amount related to the distribution segment for gaming machines pertaining to the SNAI Group was equal to Euro 84.8 million, of which Euro 37.8 million relating to SNAI and Euro 47.0 million relating to Cogetech. The SNAI Group filed a notice of appeal before the Regional Administrative Court (TAR) of Lazio to denounce the breach of the Italian Constitution and incompatibility with European Regulations as regards provisions set forth in Art. 1.649, of Law No. 190/2014, in the section which sets out the imposed payment of Euro 500 million from wager margins of gaming machines related to the entire segment, and its apportionment to the various concession holders.
The request was formally addressed to the Directional Decree ADM no. 4076/2015 of 15 January 2015, which implemented the aforesaid provisions by defining the portion of reduction of premiums and remunerations attributed to each single concession holder, proportionally to the gaming machines related to them as at 31 December 2014.
The arguments asking the cancellation of this application provision introduced the request of a) non application due to incompatibility with European Regulations, and b) the submission to the Council of the issue of breach of the Italian Constitution by the aforesaid provisions as per Art. 1, par. 649 of Law no. 190/2014.
The Second Section of the Lazio Regional Administrative Court set the hearing for discussion of the interim application on 18 March 2015. Due to the postponement, the hearing was in any case held on 1 April 2015 and on 2 April 2015, the order No. 1461 was issued, together with the rejection of the requested precautionary measures, as well as the scheduling of the hearing on the merits on 1 July 2015. The deadline of 30 April 2015 was therefore set for the payment by concession holders of legal gambling equal to 40% of the provision established in the Stability Law. On 30 April the SNAI Group therefore took steps to pay, on the total amount due of Euro 33.9 million, the amount of around Euro 23.3 million in favour of ADM (Euro 11.1 million by SNAI and Euro 12.2 million by Cogetech). According to the interpretation inferable from the Order and discussions undertaken with competent Authorities, this amount was made up of both the reduced portion of premiums and remuneration directly attributable to the companies of the SNAI Group and the reduced portion of premiums and remuneration actually paid to the Group by the other operators of the distribution segment of gaming machines (AWPs and VLTs). To cover the difference between the amounts due in accordance with the 2015 Stability Law and the amounts effectively paid at the time of the first instalment on 30 April 2015, the Concession holders Snai S.p.A. and Cogetech S.p.A. proposed to ADM, by means of specific written note, to withhold this amount from the guarantee deposit soon to be returned, by way of down payment on the second Stability Law payment envisaged for the end of October. On 15 May ADM sent a note accepting this proposal.

On 2 November 2015, the SNAI Group paid the additional amount of Euro 16.7 thousand in favour of ADM (Euro 11.6 million paid by SNAI and Euro 5.1 million paid by Cogetech).
At the time of this payment, the SNAI Group had offset the advance withheld by ADM from the 2014 guarantee deposit as specified above. During November and December 2015, the SNAI Group, via Cogetech, paid over an additional Euro 3.2 million collected in the meantime from the segment operators.
In relation to the 2015 Stability Law, as of the date of approval of the draft financial statements there were still amounts payable to ADM for around Euro 29.4 million and receivables due from the network for the same amount for sums not repaid

by the segment operators. In light of opinions received, the Company believes that it is not jointly and severally bound with regard to said amounts, in relation to which it has taken steps to inform ADM of the segment operators who are in breach and of the related amounts not paid.

D.11 New racetrack La Maura in Milan

After the interruption of horse racing at the racetrack near the G. Meazza Stadium due to excessive operating and maintenance costs, the Company undertook, together with the Municipality of Milan and MIPAAF, to build a new racetrack in the "Comprensorio Ippico di Milano". In turn, the Municipality of Milan defined the areas where the old racetrack was located, as part of the consolidated urban context and therefore no longer destined to "Sports", thus allowing a future exploitation of the area by SNAI.
The activity of the new racetrack "La Maura", managed by the subsidiary Trenno s.r.l., which also manages other racetracks owned by SNAI, started on 30 April 2015, with qualifying races. The official opening and the first effective day of horse racing occurred on 9 May 2015.

E. DIRECTORS' ASSESSMENT OF THE BUSINESS AS A GOING CONCERN

SNAI Group's results of operations and state of affairs is characterised by: (i) negative results, partly due to the effects of unforeseeable phenomena (and which for 2015 also incorporate the net extraordinary income of Euro 26.4 million deriving from the transaction with Barcrest Group Limited), as well as a significant amount of amortisation/depreciation and financial expenses, (ii) intangible assets of a significant amount as compared to the shareholders' equity which is reduced due to accumulated losses, and (iii) a significant level of indebtedness, with flows assigned to its reduction that are limited by the absorption of liquidity required by the investments that are typical of the business, and by financial expenses.

With particular reference to the financial statements for the year ended 31 December 2015, the Directors disclose how the Group has reported a net loss of Euro 54.2 million, inclusive of a net positive effect associated with non-recurrent costs and revenues identified for Consob purposes for Euro 23.8 million, mainly referring to the so-called Barcrest transaction. Net financial indebtedness, equal to Euro 467.6 million, is mainly composed of bond loans issued and subscribed on 4 December 2013 (Euro 320 million and Euro 160 million) and on 28 July 2015 (Euro 110 million), all to be repaid in 2018.

The directors also highlight the fact that the 2015 result is lower both than that of the previous period and expectations, in spite of the positive effect of the Barcrest transaction. The differences with respect to the forecasts are attributable to a number of main phenomena: i) lower than expected revenues and margins from sports betting, also due to a better payout, which reached 82.2%; ii) lower wagers mainly due to some critical issues connected with a portion of the distribution network and the temporary, now solved, shutdown of some gaming points (Finscom and ex-SIS networks), iii) lower revenues and margins generated by bets on virtual events and horse race, partly due to the aforesaid critical issues connected with the shutdown of some gaming points.

Furthermore, the directors reveal how the merger transaction with the Cogemat Group, finalised on 19 November 2015, has made it possible to promptly increase the share capital for around Euro 37.2 million and more generally the shareholders' equity for Euro 140 million; by virtue of the same transaction, the shareholders' equity as of 31 December 2015 amounted to Euro 135.6 million as against Euro 48.1 million as of 31 December 2014. From an economic standpoint, the effect of the merger had a limited impact on the 2015 financial statements, given that the Cogemat Group falls within the scope of consolidation for accounting purposes only for the last two months of the year.

Beyond the precise effects on equity and indebtedness, the directors emphasise that all three extraordinary transactions which characterised 2015 (Cogemat, SIS and Finscom) outline the new scope of the SNAI group, characterised by:

- a more extensive and in-depth presence throughout the area (with 63 new proprietary sales outlets throughout Italy);
- a higher market share in the Gaming Machines segment (second Italian operator with a more than 15% market share);
- a greater balancing of the profitability between the components deriving from betting and from the Gaming Machines and
- a minor portion of EBITDA which was affected by the fluctuation of the payout on the bets.

In this context, uncertainties remain, some of which outside the exclusive control of the directors, linked to the volatility associated with the realisation of future events and the principal features of the reference market. These uncertainties may influence margins and the future refinancing capacity of the Group.

Therefore, the prospect of the SNAI Group as a going-concern is conditioned by the factors indicated below:

- Renewal of the concessions for the network of betting points expiring on 30 June 2016. The Company aims to renew its concessions in the betting sphere since an important part of its business is linked to them; on the basis of the information known and available to-date, relating to the characteristics of the betting call for tenders envisaged by the 2016 Stability Law, the Company believes that the Group it heads up has the possibility of obtaining the renewal of the current concessions managed.

  Again in relation to the concessions, during 2015 ADM launched a series of communications with the Company with regard to the failure to observe a number of balance sheet ratios envisaged by said concession agreements. The agreements in fact envisage that the concession holders must maintain the "capital solidity requirements" whose demonstration requires the observance of a number of balance sheet ratios which if overrun, for a prolonged period of time, could theoretically lead also to the opening of a procedure for the forfeiture or revocation of said concessions.

The Directors, consoled (i) by the fact that as of 31 December 2015 the ratio considered the most important (relating to the ratio between the net indebtedness and the shareholders' equity) is observed, (ii) by a legal opinion which evaluated the risk of the launch of a procedure for the forfeiture of the concessions as remote and (iii) by the written confirmation of ADM that the procedure launched has the sole purpose of monitoring, believe that no risks exist deriving from the failure to observe the balance sheet ratios which may influence the maintenance or renewal of the concessions.

- Ability of the SNAI Group to generate adequate profits and cash flows. The directors believe that the consolidated business plan of SNAI (approved on 12 March 2015) contains forecasts which are no longer up-to-date and out-dated in relation to the merger of the Cogemat Group in the SNAI Group and the new macro-economic and regulatory context in which the SNAI Group operates. At present, the directors - pending the drafting of a new consolidated Business Plan - on 21 April 2016 approved the guidelines for the 2016-2019 business forecasts ("2016-2019 Guidelines"), on the basis of which the main 2015 financial statement valuations were made.

  The new business plan which will come about is still being completed, since the forecasts already made but relating to scenarios still being defined need to be streamlined, such as (i) the streamlining of the estimate of the timescales and the investments associated with the call for tender relating to the new concessions for the network of betting points expiring on 30 June 2016, (ii) the additional savings expected from the SNAI-Cogemat merger sites and (iii) the benefits of the reorganisation of the network of shops belonging to the Finscom and former SIS network.

  On the basis of the provisions contained in the Guidelines, the SNAI Group believes that it can count in the coming years on the growth of overall wagers (which will reflect in an increase of revenues and margins), based on a series of initiatives which include an increase in the on-line offer and the expansion of the offer relating to virtual events.

  Beside the above, benefits are expected in terms of a reduction in the operating costs and optimisation of the investments from the merger with the Cogemat Group, a well as from the volumes of wagers linked to the re-opening of 63 SIS/Finscom points. Furthermore, the combined effects of the innovations introduced in the gaming sector by the 2016 Stability Law will have a limited impact in terms of margins for the SNAI Group in the first few months of 2016 and, on a forecast basis, be essentially nil, in the presence of the progressive reduction of the payout permitted for the AWP machines.

  In conclusion, the 2016-2019 Guidelines reflect the reduction of the amortisation/depreciation and financial expense further to (i) the renewal of the concessions for the network of betting points expiring on 30 June 2016, with an estimated investment on the basis of the indications which emerged from the 2016 Stability Law significantly lower than the original cost currently recorded in the financial statements and (ii) the use of the liquidity deriving from the future business performances for the partial reimbursement of the Group debt.

  In this context, the uncertainties relating to the business performances should decrease due to: the new integrated product mix of the Group which sees the percentage linked to entertainment equipment rise; a possible improvement in the payout on the sports bets, thanks to the new method of taxation on bets, which is calculated on the margin and no longer on the wager, thus reducing the tax impact in the event of particularly unfavourable payouts.

- Ability of the Group to repay the outstanding loans on maturity, or refinance its debt. On the basis of the matters described above, the SNAI Group believes that it is able to achieve a progressively improved economic result, is in a position to determine operating cash flows suitable for supporting the investments necessary for the development of the business and partly reimbursing/refinancing the outstanding loans, also by means of the issue of new financial instruments. What is more, in consideration of the significant level of indebtedness of the SNAI Group and the negative result reported in the past, having also taken into account the volatility associated with the reference market, it is emphasised how the failure to renew a significant portion of the current rights and/or the failure to generate suitable cash flows and profits and/or the failure to repay the outstanding loans on the related due date or the refinancing of the same could invalidate the prospect of the business as a going concern, without prejudice to the tracking down of capital resources and/or additional credit as yet to be identified.

Having taken into account the above matters, the Directors believe that the targets set out in the guidelines for the 2016-2019 business forecasts are reasonable and the Company has the capacity to continue its business operations in the near future, and therefore have prepared the financial statements based on the going concern assumption.

On the other hand, the same Directors acknowledge the necessity to carry out a careful and constant monitoring of results, in order to promptly assess any further factors capable of negatively impacting the business performances, affecting the current and future years and, in general, the achievement of an economic, equity and financial balance.

F. PERFORMANCE OF SNAI S.p.A. AND ITS SUBSIDIARIES

Set forth below is a summary of the activities and main events which characterised the management of the individual companies belonging to the Group over the course of 2015.

F.1 SNAI S.p.A.

- As at 31 December 2015, the company engages in the following business operations:

- it owns 1 Monti course racing and sports concession (278 store licenses), 1 Bersani sports concession (342 stores and 876 corners), 1 Bersani horse racing concession (94 stores and 2,354 corners), 1 Giorgetti horse racing concession (303 store licenses for horse racing), 1 remote concession and 1 ADI concession (AWPs and VLTs);
- it manages 26,298 AWP machines, installed in around 7,900 points;
- it owns 5,052 VLT rights, of which more than 4,851 installed in 749 concerns;
- it supplies an on-line electronic system capable of connecting, via cable and via satellite, to the network for national collection of wagers for over 10,000 terminals in operation at the PAS and the "Bersani", "Giorgetti" and “Monti” points of sale, allowing for their transfer and the elaboration of data related to the individual bets. The system allows for the registration and recording for accounting purposes of all data related to each individual bet, to send them from the SNAI Point to the computer systems of Sogei S.p.A. for the Ministry of the Economy and Finance and, once the "clearance" and the registration number of the bet have been received from this Ministry, to issue the final receipt for the possible collection of winnings ("betting ticket");
- it provides to the SNAI Points, whether operated directly and owned by clients, technical and IT support for the verification game performance, in addition to the management of fixed quota bets (e.g., technical and sports information, the formulation of opening quotas and their updating in real time, etc.);
- it disseminates via satellite the opening quotas and the related updates during the collection of gaming wagers;
- it provides the software and computer system for collection of remote bets;
- it provides to concession holders the necessary hardware and software systems, as well as all of the related technical assistance services, including on devices owned by the concession holders themselves;
- it provides organisational and sales consultancy services related to acceptance operations for betting, gaming, Bingo, pool betting (National Horse Racing, "Big" Bets, Totocalcio, Totogol, Il 9, etc.) and entertainment devices.
- it designs, sells and installs equipment, displays and services for preparation of the points of sale (stores and corners), and the realisation of the connection network for entertainment devices (ADI);
- it promotes the Group's proprietary commercial brands. It also focuses on developing SNAI's market and enhancing its image with the public. This is achieved through both advertising campaigns and the publication of quotas and betting-related information in sports newspapers and media aimed at the public at large, as well as through external relations and press office activities, and the conception and management of events.

F.2 SUBSIDIARIES

F.2.1 Trenno S.r.l.

This company was established following the spinoff of the specific business unit and began operations on 20 September 2006. It operates the racetracks in Milan (harness racing and gallop racing) and Montecatini (harness racing).
Under the agreement with the Mipaaf (former ASS-UNIRE), the company organizes the operation of the gallop training centre at Milan S. Siro and the collection, within the racetracks, of bets on horse races.
As part of a national program coordinated by the Mipaaf, Trenno S.r.l. organizes races in accordance with an established schedule, and receives from such Entity an annual fee established under a long-term agreement that is pending renewal.
In addition to the fees for the organisation of horse races, Trenno S.r.l. also receives other revenues such as:

- fees for the use of the facilities by horse race operators;
- other revenues for advertising and sponsorships as well as for the sale of spaces inside the race tracks and the real estate complexes and the availability of areas and structures for fairs and events;
- less significant proceeds related to the rent of various commercial businesses within the real estate complexes (such as, for example, restaurants, cafes, parking lots, etc.).

The Company, together with Snai, had closed the Milan racetrack adjacent to the Stadio G. Meazza and the related training centre at the end of 2012, due to the oversize of the installation and the associated maintenance and running costs.
The Company has discussed the project for the construction of the new Milan racetrack with the representatives of the racing categories and the trade union organisations. In the meanwhile, the owner Snai sorted out the problems relating to Parco Agricolo Sud in Milan, holder of a development restriction on the area of the new Racetrack.
The work commenced on 26 January 2015 and lasted around three months; on 29 April 2015 the Company obtained from Mipaaf (decree No. 30809) the recognition of the new Milan racetrack known as “La Maura”, for the purposes of organisation of the races and the inclusion in the race program as from May 2015 and, at the same time, the reactivation of the contractual relationship suspended with the former Milan Racetrack installation, under the same conditions acknowledged to the majority of racetrack companies.
The new 1,050 metre track of the Maura racetrack has been set up for a possible future extension of up to a mile in length. In order to minimise the environmental impact of the work, the base of the track has been created recovering “supporting” material used in the previous installation with the additional of a new stratum. The public, besides the stand, constructed using modulable materials and techniques, has welcome and catering services, the betting area and an internal car park at its disposal. The stables can accommodate 150 horses, offering all the useful services to the operators.
In 2015, the Company besides maintaining its commitments on the installation of the Milan Racetrack due to its features of recognised excellence, therefore re-opened the race activities in Milan on 9 May with the inauguration of the new La Maura racetrack.
Marketing action plans continued with the aim of creating a development programme aimed at turning to account the related structures, attracting the public to racetracks and at the same time action continued for the promotion of the Gran Prix of the racetracks managed in the programme during the season, to increase the degree of visibility of these events.
The Company continued, in 2015 as well, its cost-saving initiatives, such as the reduction of contractual commitments with some suppliers and personnel costs.
With the aim of limiting personnel costs, already in the three-year period 2012 - 2014 the Company had applied for temporary lay-off schemes through a trade union agreement. The reduction in personnel, also through incentives to leave, is pursing the aim of structurally reducing the costs.

Care of the Sesana racetrack at Montecatini Terme, after the termination of the training activities as already occurred for the San Siro racetrack in Milan, only sporting activities have been going on since 2013. In 2015, the sporting activities started in April and concluded in October, with results essentially in line with the previous year's trend, up in absolute terms for the additional number of race days held.
The revenues amount to a total of Euro 10,035 thousand (Euro 7,050 thousand in 2014) and the Company ended the year with a loss of Euro 1,843 thousand (Euro 2,876 thousand in 2014) after amortisation/depreciation of Euro 447 thousand (Euro 608 thousand in 2014).

F.2.2 Teleippica S.r.l.

The company 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 ASS-UNIRE).
On behalf of SNAI S.p.A., the company supplies broadcasting services for the Sport Virtuali 1, 2 and 3 television channel (former SNAI TV) and the production of the audio channel Radio SNAI. Furthermore, again with Snai, an agreement was entered into on 21 October 2015 for the creation of two television channels, SNAI LIVE 1 and SNAI LIVE 2.
During 2015, the Company completed the technological restructuring of the headquarters of the O.U. Toscana, in the key departments for TV broadcasts, i.e. Regia and Teleport, providing equipment of the latest generation adding, besides that already set up in 2014, a new "virtual set" installation studio used both for the client MIPAAF and for SNAI.
As indicated in the "additional pact" dated 26 February 2016 to the ASSI agreement, the "Regia" 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 contractually envisaged.
Again at the headquarters in Porcari (LU), the Company provided for the necessary equipment to supply SNAI with broadcast services related to bets on "Virtual Sports" (SV1, 2 and 3) and in 2016 the channels SNAI LIVE 1 and SNAI LIVE 2 will also be produced as agreed contractually with the Parent Company.
The service for the realisation and broadcast of the "WEB Radio" audio channel (former Radio SNAI) remains active, along with the co-ordination of the television productions of the Events of SNAI.
The financial statements as at 31 December 2015 show a net profit of Euro 1,049 thousand (Euro 585 thousand in the previous year) after amortisation/depreciation and provisions of Euro 1,045 thousand (Euro 1,083 thousand in the previous year).
The cash flow generated by the business was Euro 9,181 thousand. The revenues amounted to Euro 12,200 thousand (Euro 12,163 thousand in 2014) of which Euro 3,049 thousand (Euro 3,011 thousand in 2014) were intercompany.
In 2015, most of the company's revenues were through the contract with MIPAAF. The company was awarded this contract on 5 December 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.
On 29 January 2013, an Agreement was entered into between the Company 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 22 May 2013; this agreement became effective on 29 May 2013 with a duration of six years.
On 26 February 2016, a new "Additional agreement" was signed which revised the matters established in the additional agreement dated 29 May 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).
The Company 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.
By means of additional agreement entered into on 26 February 2016, the Company will directly manage the location of the headquarters in Via C. Colombo 283/A and consequently steps will be taken to construct a new technological structure at the same headquarters, with work terminated by the end of June 2016.

F.2.3 Finscom S.r.l.

Finscom S.r.l. directly managed 8 points. On 1 April 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l., in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law.

In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on 8 April 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom.

Following the waive by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09.

At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.

The financial statements drawn up using the Italian standards as at 31 December 2015 show a net loss of Euro 3,133 thousand (Euro 2,171 thousand in the previous year) after amortisation/depreciation and provisions of Euro 1,499 thousand (Euro 501 thousand in the previous year).

The cash flow generated by the business was Euro -7,658 thousand. The revenues amounted to Euro 1,840 thousand (Euro 2,039 thousand in 2014) of which Euro 1,055 thousand were intercompany.

F.2.4 SNAI Rete Italia S.r.l.

SNAI Rete Italia S.r.l., was established on 3 April 2015 by SNAI S.p.A., with share capital of Euro 10 thousand, with the purpose of acquiring shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points.
On 7 July 2015, SNAI S.p.A. and SNAI Rete Italia S.r.l. subscribed a lease agreement and following acquisition of a business unit of SIS S.r.l. in liquidation, composed of 55 gaming shops located in various Italian regions. Since its establishment, SIS has been connected with SNAI Group as it is its first operator in wagers from gaming machines. This acquisition was made to safeguard the Group distribution network.
The signature was authorized by the bodies supervising the composition with creditors of SIS S.r.l. depending, before the Court of Rome, on the favourable outcome of a public tender to which SNAI S.p.A. and its subsidiary SNAI Rete Italia S.r.l. took part.

The final acquisition of the company, undertaken by SNAI and SNAI Rete Italia with the entering into the agreement in question, will take place once the Plan related to the composition with creditors of SIS S.r.l. is endorsed by the Court of Rome, and in any case not later than 30 June 2016. The preliminary lease was instrumental to enable the early re-starting of activities. In this view, the shops were re-opened as from August.

The lease agreement entered in force on 22 July 2015.
The effective date of the lease and subsequent transfer of the business unit of SIS was deferred until conclusion of consultations as per Art. 47, par. 1 of Law 428/1990, instrumental to the lease and subsequent transfer of the Business Segment.

Business Segment means the business unit related to SIS that operates in the management of SIS gaming points, which are involved in wagers from bids, gaming machines and other public games, authorised by ADM, pursuant to provisions set out by the SNAI-SIS Pending Agreements.

SNAI S.p.A.'s offer, drawn up also in the name and on behalf of the subsidiary SNAI Rete Italia S.r.l., strived to allow the composition with creditors to achieve the following:

(a) the entire satisfaction of preferential and 100% unsecured creditors;
(b) the entire payment of pre-deductible costs and of the so-called “cash flows related to the period";
(c) the waiver of the entire receivables of SNAI S.p.A. with respect to SIS on 21 January 2015, both principal and interest, for a total amount of around Euro 12.9 million upon transfer of the Business Unit;
(d) the immediate operation of the Business Unit until end of selection;
(e) the commitment of SNAI S.p.A. to guarantee payments made by SIS with respect to some potential liabilities;
(f) the continuation of pending SNAI S.p.A./SIS agreements for the remaining 7 years of duration of the agreements on AWPs/VLTs, and until 30 June 2016 for agreements on betting.

The financial statements as at 31 December 2015 show a net loss of Euro 13,214 thousand after amortisation/depreciation and provisions of Euro 7,685 thousand and after financial expense of Euro 3,500 thousand. Revenues amounted to Euro 3,295 thousand of which Euro 3,153 thousand intercompany.

F.2.5 Cogemat S.p.A.

The Company carries out the management and co-ordination of the investee companies, directly and indirectly, included in the Cogemat Group (Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A.) operating in the legal gaming sector. The financial statements drawn up using the Italian standards as at 31 December 2015 disclose a net loss of Euro 8,222 thousand (compared with a profit of Euro 6,521 thousand in 2014), a result penalised (i) by the extraordinary costs linked to the merger transaction with SNAI S.p.A., (ii) by the adjustment of the prepaid taxes to the new IRES rate of 24%, (iii) by the write-down of the fixed assets relating to the Mini Bond repaid after the merger of the Cogemat Group with SNAI S.p.A. and (v) by the write-down of the investment in the subsidiary Cogetech S.p.A..

F.2.6 Cogetech S.p.A.

Established in 2004, Cogetech S.p.A. is a concession holder for the management and control of the on-line network of gaming machines which disburse cash prizes and is also the holder of concessions for the marketing of sports and horse racing bets and those on virtual events.
As at 31 December 2015, Cogetech S.p.A.:

- manages 37,250 AWP machines, installed in more than 9,000 points;
- owns 5,226 VLT rights, of which more than 5,060 installed in 521 concerns;
- owns 1 Bersani sports concession (13 shops and 33 corners);
- owns 1 Bersani horse racing concession (11 corners);
- owns 1 Giorgetti horse racing concession (2 shops);
- via the Iziplay website offers sports bets, cash and tournament poker, bingo and casino games;

- supplies providing services (connectivity, quotes and statistics) to a network of around 100 independent betting points;
- operates in the sector of value added services offering, via its technological platform, national and international telephone recharges for cell phones and service cards, recharges for gaming accounts, Gift Cards, recharges for Paymat prepaid credit cards and the on-line post office slip payment service and recharges for Post Italiane's Postepay prepaid cards.

The financial statements drawn up using the Italian standards as at 31 December 2015 disclose a net loss of Euro 6,410 thousand (compared with a profit of Euro 7,343 thousand in 2014), a result penalised by a series of extraordinary factors including: (i) the adjustment of the prepaid taxes to the new IRES rate of 24%, (ii) the write-down of the fixed assets relating to the Senior Loan repaid after the merger of the Cogemat Group with SNAI and (iii) the alignment of certain accounting standards with those of the parent company SNAI S.p.A..
The overall value of production amounted to Euro 405,373 thousand (Euro 434,821 thousand in 2014) of which Euro 1,357 thousand intercompany.
The cash flow generated by operations, before investment and financing activities, presented a positive balance of Euro 16,050 thousand.

F.2.7 Cogetech Gaming S.r.l.

Cogetech Gaming S.r.l. is concession holder for the sale of sports and horse racing bets and those on virtual events.
With the completion in 2015 of the reorganisation activities based on the outsourcing of the management of the betting points, all the points are today entrusted under management to third parties.
As at 31 December 2015, Cogetech Gaming S.r.l.:

- owns 1 Bersani sports concession (52 shops and 50 corners);
- owns 1 Bersani horse racing concession (31 shops);
- owns 1 Monti horse racing and sports concession (73 shops);
- owns 1 Giorgetti horse racing concession (33 shops).

The financial statements drawn up using the Italian standards as at 31 December 2015 show a net loss of Euro 20 thousand (compared with a loss of Euro 1,295 thousand in 2014).
The overall value of production amounted to Euro 92,688 thousand (Euro 103,417 thousand in 2014) of which Euro 724 thousand intercompany.
The cash flow from operations, before investment and financing activities, presented a negative balance of Euro 1,046 thousand.

F.2.8 Azzurro Gaming S.p.A.

Azzurro Gaming S.p.A., thanks to the agreement with the parent company Cogetech S.p.A., manages 1,800 VLT rights, preferring a business model which does not see it directly involved in the creation of gaming rooms, but only in their management in the capacity of "third party entrusted with taking wagers".
The financial statements drawn up using the Italian standards as at 31 December 2015 show a net profit of Euro 1,905 thousand (compared with a profit of Euro 3,444 thousand in 2014).
The overall value of production amounted to Euro 3,057 thousand (Euro 3,114 thousand in 2014) of which Euro 3,045 thousand intercompany.
The cash flow generated by operations, before investment and financing activities, presented a positive balance of Euro 2,301 thousand.

F.2.9 Izilove Foundation S.r.l.

Izilove Foundation is a non-profit making concern, whose mission involves social solidarity and charitable activities.

The report drawn up using the Italian standards as at 31 December 2015 show a net loss of Euro 5 thousand.

G. DIRECTLY AFFILIATED COMPANIES

G.1 Hippogroup Roma Capannelle S.p.A.

SNAI S.p.A. directly holds a shareholding of 27.78%.
HippoGroup Roma Capannelle S.p.A. operates the racetrack of Capannelle, Rome.
The financial statements of Hippogroup Roma Capannelle S.p.A. as at 31 December 2014, drawn up using the Italian standards, showed a loss of Euro 203 thousand and shareholders' equity of Euro 3,718 thousand. The pre-closure estimates for 2015 concerning the company envisage an essential breakeven.

G.2 Alfea S.p.A. – Società Pisana per le corse dei Cavalli

SNAI S.p.A. directly holds a shareholding of 30.70%. Alfea S.p.A. operates the racetrack in Pisa.
The financial statements as at 31 December 2015 drawn up using the Italian standards show a net profit of Euro 247 thousand (compared with a net profit of Euro 199 thousand in 2014) after amortisation/depreciation of Euro 434 thousand (Euro 285 thousand as at 31 December 2014). The value of production totals Euro 3,091 thousand (Euro 3,403 thousand as at 31 December 2014) and production costs amount to Euro 3,477 thousand (Euro 3,135 thousand as at 31 December 2014), leaving a net margin (EBIT) of Euro -386 thousand (Euro 268 thousand as at 31 December 2014). There was also extraordinary income of Euro 814 thousand in 2015.

G.3 SOLAR S.A.

The affiliate organised under the laws of Luxembourg and to date no longer operating, was established in March 2006, with capital of Euro 31 thousand, of which SNAI S.p.A. holds a 30% stake in the amount of Euro 9.3 thousand.

G.4 Connext S.r.l. in liquidation

The company holds a total of 25% in the company's share capital which totals Euro 81.6 thousand.
In year 2013, the company Connext S.r.l. managed the technical assistance for the technologies at the points of sale belonging to the SNAI network.
The financial statements as at 31 December 2014 drawn up using the Italian standards showed a net loss of Euro 23 thousand (loss of Euro 50 thousand as at 31 December 2013) after amortisation/depreciation of Euro 49 thousand (Euro 45 thousand as at 31 December 2013). The value of production totals Euro 724 thousand (Euro 780 thousand as at 31 December 2013) and production costs amount to Euro 730 thousand (Euro 822 thousand as at 31 December 2013), leaving a net margin (EBIT) of Euro -6 thousand (Euro -43 thousand as at 31 December 2013).

On 4 February 2015, the shareholders' meeting of Connext S.r.l. resolved to wind up the company.

H. DESCRIPTION OF MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY AND THE COMPANIES INCLUDED WITHIN THE CONSOLIDATION PERIMETER ARE EXPOSED

H.1 DESCRIPTION OF RISKS

Pursuant to the provisions of Article 154 *ter* of Legislative Decree No. 58/98, set forth below is a description of the Group's exposure to risks and uncertainties in year 2015. It should be noted that the Group has always been particularly attentive insofar as the prevention of risks of all types which could impair its results of operations or the integrity of its assets.

The SNAI Group operates on the market for the collection of gaming and betting wagers, which include mainly sports and horse racing bets, lawful gaming through AWPs (formerly known as new slots) and through VLTs (videolotteries) as well as on-line skill, bingo and casino games. That market is regulated by the State authorities by issuing concessions. Therefore, the related risk refers to renewals of the concessions and more generally the elevated regulation of the sectors in which the Group operates and the complexity and inconstancy of the pertinent legislative framework.

Concession and Regulatory-related risks
The betting and gaming sector in Italy is highly regulated by the ADM, which establishes (i) which games can be introduced in Italy and, for specific activities, what costs can be charged for the related games by the operators, (ii) the level of the prizes to be paid out to the winners, (iii) for determinate activities, the level of consideration to be acknowledged to the concession holders, SNAI inclusive, (iv) the maximum number of points and if a given concession is exclusive or available to several concession holders and (v) the minimum service levels.

Furthermore, the 2016 Stability Law, which came into force on 1 January 2016, introduced important innovations for the gaming market in Italy. The reduction of the payout of the AWPs envisaged therein, with the possible repercussions on the expenditure of the players, and the more stringent legislation on the issue of the AWP authorisations could lead to a decrease in the volumes of wagers taken.

The ability of the SNAI Group to continue to carry out its activities in the gaming sector depends, to a large extent, on maintaining the concessions which it holds. The same 2016 Stability Law envisaged, for the year underway, the renewal of the concessions on bets expiring in June 2016 with the consequence that the Group could be exposed: (i) to the risk of non-renewal of the concessions with consequent loss of incoming cash flows, reduction of margins and impossibility of supporting the financial debt, (ii) the financial risk linked to the need for a high outlay during the tender stage for the renewal of the concessions not being able to support the financial debt. The non-renewal (or partial renewal) of the concessions expiring as at 30 June 2016 could have negative effects on the operating flows supporting the indebtedness, on the maintenance of the outstanding credit facilities, as well as on the maintenance of the goodwill recorded in the financial statements (with possible balance sheet effects with regard to the maintenance of the supposition of the company as a going-concern).

If the Group does not then manage to maintain a constructive relationship with the ADM, or if said relationship should be negatively influenced for any reason, negative effects could come about on the activities and on the income statement, balance sheet and/or financial situation of the Issuer and the Group.

Furthermore, the failure to observe the applicable laws, regulations and rules could lead to investigations and action for contrasting the same, the revocation or non-renewal of the concessions or the licences necessary for carrying out the activities, criminal and/or administrative sanctions or the separation, suspension or termination of the Group's activities.

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 drafted pursuant to IFRS 7. As regards the risk of non-compliance with regulations and laws, the Company is of the view that such risk is managed through an adequate organisational structure.

The Group is of the view that a system of well-defined policies, processes and controls is fundamental for effective management of the following main risks, which the Group faces and monitors:

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 Group's debt portfolio is exposed to market interest rate fluctuations. Changes in interest rates generally do not generate significant impacts on the fair market value of such indebtedness, but could have significant effects on the Group's results of operations, business operations, financial conditions and future prospects.

Credit Risk
Credit risk is the risk of financial loss deriving from a client or counterpart that does not fulfil its contractual obligations. The collection of bets, or legal gambling carried out at the betting shops within the country may generate a credit risk for the Group, since its revenues originate from the concessions of the Agenzia delle Dogane e dei Monopoli ("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 relations with one of the latter for any reason, can negatively impact the operating result, the business activities, financial position and the prospects of the Group.
The management is of the view that going forward; a significant portion of its operations and profits will continue to depend upon ADM concessions and a distribution network consisting of third parties. In detail, management believes that the possible introduction of legislative provisions aimed at introducing a different taxation of the games (as occurred during 2015 and 2016) could have immediate repercussions on the credit risk since it affects the profitability of the gaming sector.

Liquidity Risk
Liquidity risk is the risk of unavailability of adequate sources of funding for the Group's operations. The Groups capacity to maintain its existing agreements as at the date of renewal 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 in the technological renewal of the distribution network, typically requires cash outflows, and the possibility of not having enough liquidity at the appropriate moment might reflect negatively on the operating results, the business activities, the financial position and the prospects of the Group. The Group's exposure to such risk is linked principally to the commitments under the loan transaction entered into in December 2013 and July 2015 with the issue of bond loans and the entering of a revolving facility unused as at 31 December 2015.

Country Risk
Country risk is the risk that changes in regulations or laws, or in the economy of a country in which the Group operates may have adverse effects on expected profits. The Group operates a domestic business and generates all its revenues through transactions carried out in Italy.
Risks related to the Group's transactions derive from, in particular, a greater level of government regulation of the physical and online gaming and betting sector, controls or restrictions on cash and online transactions and possible political instability. Other economic risks for the Group's national operations may include inflation, high interest rates defaults on debt, unstable 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 regulating cash-flows within the country, the inability of the government to honour existing agreements, changes in tax legislation and corruption, as well as risk aversion.

Operating Risk
Operating risk is the risk that external events or internal factors may translate into losses. The sector in which the Group operates is strictly regulated and failure to comply with the laws and regulations, or changes to them, can negatively affect the operating result, the business activities, the financial position and the prospects of the Group. A significant portion of the revenues and results originated from business, which is regulated through a state concession, which is of a limited nature and can be subject to revocation, thereby negatively affecting the Group's results. Because it operates through state concession, the Group may also be subject to the application of significant penalties in the event of ascertained contractual violations. 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 impose upon the Group obligations to pay indemnities for damages that may arise as the result of contractual breach. The payables ensuing from guarantees and the compensation for material damages, as well as any eventual penalties, could have negative effects on the Group's results from transactions, businesses, financial terms and conditions or future prospects. Changes in the law or regulations could reduce the margins applicable to concession holders, or reduce the number of concessions available, causing the results of the Group to suffer negative effects.
The part of the business deriving from fixed rate bets can be characterised, in the short term, by uncertainty over the results due to the volatility of the pay-out.
The Group operates in a highly technological environment and any problems in protecting the integrity and security of this environment may result in unexpected expenses and legal damages that could negatively impact the company's brand name and the reputation on which the ability to achieve the result set is based.
Finally, negative publicity surrounding the betting environment by state or local authorities, media or private organisations may damage the reputation of the SNAI brand and consequently have a negative effect on the operating results, the business activities, the financial position and the prospects of the Group, in the same manner that the Group's operations can be negatively impacted by the illegal collection of bets and illegal gambling.

H.2 DESCRIPTION OF UNCERTAINTIES

Legal proceedings
Given the nature of its business operations, the Group is involved in a series of legal, regulatory and arbitration proceedings which pertain to, among other things, potential assets and liabilities, as well as injunctions by third parties deriving from the ordinary conduct of its business operations. 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, its financial condition and its results of operations. 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 requirements 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 on the part of the Group to comply with or obtain the suitability requirements could lead the regulatory authorities to seek to limit the Group's business operations.
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 capacity to obtain or maintain the concessions requested or the approvals. Possible adverse events may have adverse effects on the Group's results of operations, business or prospects. Furthermore, there have been, there are and there may be in the future, various types of verifications conducted 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 for integrity is an important factor as regards the activities engaged in with the concession-granting authorities: any accusation or suspicion of wrongful or unlawful conduct attributable to the Group or a thorough verification 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, negative publicity caused by such proceedings could have material adverse effects on the Group's reputation, results of operations, economic and financial condition and future prospects.

I. RELATED PARTY TRANSACTIONS

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

The relationships between the parent company SNAI 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 real estate 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 supply of services, plus an adequate margin to the department of the necessary structure and the related general costs.
The amount charged is considered to be fair and in any case is no higher than the cost which the individual companies of the Group would have had to incur in order to purchase services of the same quality, quantity and delivery timing on the market.
The other administrative and technical services that are produced, supplied and used within the Group's companies are charged to the subsidiaries and affiliates based on their actual use, taking into account the cost of acquisition or production of the services in question.
Specific services acquired from third parties in the overall interest of the entire group and related in particular to financial legal, tax and specialised technical matters have been recharged proportionately in line with the specific interest of each company.

Reference is made to note 34 of the Explanatory Notes to the Consolidated Financial Statements and to note 32 of the annual financial statements for details on all of the relationships which SNAI S.p.A. maintained over the course of 2015 with subsidiaries, affiliates and the parent company or companies subject to the latter's common control.

I.2 Related party transactions

The Board of Directors is in charge of drafting 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 approved by the Board of Directors on 29 November 2010 in compliance with the provisions of the Related Party Transactions Regulation issued by Consob through resolution no. 17221 of 12 March 2010, subsequently amended by resolution no. 17389 of 23 June 2010.
Pursuant to Consob memorandum DEM/10078683 of 24 September 2010, the recommendation to companies is to assess at least every three years, whether to carry out a review of the procedure, taking also into account any changes that may have in the meanwhile occurred in terms of the corporate assets as well as the it efficacy of the procedures as demonstrated upon application.
To this end, based on the resolution of the Board of Directors taken at its meeting of 20 November 2013, a committee named the “Related Parties Procedures Committee” was established. It is composed of three independent directors whose task it is to verify the procedure governing the Company transactions with related parties.

In its meeting of 27 March 2014, and based on the practice applied in previous years, the Committee resolved unanimously to propose to the Board of Directors to make certain amendments/supplements to the procedure.
On this basis, the company's Board of Directors, in its meeting of 27 March 2014, approved the new Procedure for Related Parties.
The Procedure ensures that transactions with related parties take place transparently and in compliance with the criteria of essential and procedural correctness.

The explanatory notes number 31 and 34, respectively, to the separate financial statements and the consolidated financial statements, provide a detailed description of the relationships which are material and highlighted for accounting purposes in SNAI S.p.A.'s balance sheet, income statement and in the financial commitments vis-à-vis the other companies of the Group (only included in the separate financial statements) and residual vis-à-vis related parties.

J. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

As at 31 December 2015, the SNAI Group employed 1,317 individuals, 627 persons more than 2014. This increase is essentially due to the acquisition of Cogemat and Finscom S.r.l. and the rental of the business segment of SIS S.r.l.

The staff is divided up as follows:

SNAI Group	**31.12.2015**	**31.12.2014**
Executives	37	27
Office workers and middle managers	1,218	598
Blue-collar workers	62	65
Total Employees	**1,317***	**690****

* of whom 349 part-time and 14 on maternity leave
** of whom 107 part-time and 22 on maternity leave

There are 38 more employees working at the parent company, increasing from the initial 473 employees at the end of 2014 to 511 employees as at 31 December 2015. The increase is mainly due to the merger via incorporation of Festa S.r.l.

SNAI S.p.A.	**31.12.2015**	**31.12.2014**
Executives	22	24
Office workers and middle managers	481	443
Blue-collar workers	8	6
Total Employees	**511***	**473****

* of whom 77 part-time and 7 on maternity leave
** of whom 60 Part-time and 20 on maternity leave

The parent company SNAI S.p.A. adopts the C.C.N.L. [Contratto Collettivo Nazionale di Lavoro – the National Collective Labour Agreement] for “workers employed in the private metals and mechanical industry and the installation of equipment” and the C.C.N.L. for Trade for the staff of the Service Centre, for the quoters and the sales force, as well as for the staff of the directly run agencies.
Teleippica S.r.l. adopts the C.C.N.L. for private radio and television employees.
TRENNO S.r.l., operating in the horse race segment, adopts the C.C.N.L. for “Horse racing companies” and the Agreement “For the discipline of the workers involved in bet taking and payment at the entrances and various services of racetracks also in concurrence with the race days or other events carried out inside the racetrack dated 11 January 2013 and subsequent amendments and additions”.
Finscom S.r.l. adopts the C.C.N.L. for Trade, as well as the Protocol of the betting agencies, for the staff of directly run agencies.
Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.r.l. adopt the C.C.N.L. for Trade, as well as the Protocol of the betting agencies, for the staff of directly run agencies.

You are hereby reminded that the organisational model adopted is comprised of the following documents: code of ethics, organisational model, job descriptions and management procedures.

K. HEALTH AND SAFETY IN THE WORKPLACE PURSUANT TO ARTICLE 2428 OF THE ITALIAN CIVIL CODE

Pursuant to provisions set out by the Legislative Decree No. 81/2008 and subsequent amendments and additions, the Employer meets the head of the prevention and protection service, the competent doctor and the representatives of workers for safety in an annual meeting. On this occasion, the risks and related evaluations are examined and discussions are engaged on the timing of interventions that have an impact on the safety and health of employees.

During 2015, resources destined to be trained were attended courses on safety and health in the workplace. The training for newly hired personnel was started, and for some already concluded. The training also involved all managers hired in the Group. Employees had been informed on the procedures related to first aid, fire prevention regulations and evacuation of workplace. The training course for Owners and Persons in charge of gaming arcades (Italian Presidential Decree 1723/2014) was organised and held in the regions of Emilia Romagna and Lombardy, as well as for all the Snai employees employed in the sales network.
Restructuring and requalification periodically took place within the racing installations run by TRENNO S.r.l. to improve their reception and operating capacity in order to ensure maximum technical and qualitative levels for all who operate therein. As regards safety, general and specific training of workers was constant and supplemented with training sessions, carried out by experts, on the use of equipment and individual protection devices. Lastly, a mobile emergency response unit has been made available at the facilities **as a safeguard in the event of accidents during the races or training sessions.**

L. BUSINESS OUTLOOK AND EVENTS THAT HAVE OCCURRED SINCE YEAR END

L.1 Business outlook and updates on Business Plans

L.1.1 2016 Stability Law

Before illustrating the business outlook, it is appropriate to recall the legislative innovations introduced by the 2016 Stability Law having considered the repercussions which the same may have on the Group's operations and margins.
The failure to present the delegated decree in accordance with Article 14 of Italian Law No. 23 dated 11 March 2014 (so-called fiscal delegated decree) for the systematic review of the discipline of public games and the relaunch of the horse racing sector has forced the Government to include in the 2016 Stability Law (Italian Law No. 208 dated 28 December 2015) some of the main measures envisaged in the aforesaid fiscal delegation.
The Government therefore identified the finance law as the instrument for overcoming a number of "crippling" critical aspects for the sector and in some cases indispensable for the launch of the scheduled selection procedures (tender for betting, tender for bingo and for remote gaming).
Law No. 208 dated 28 December 2015 (2016 Stability Law) was published in the Italian Official Gazette on 30 December 2015.
The measures of greatest impact with regard to public gaming are illustrated below.

Measures regarding gaming machines

- Section 918 established the increase of the flat-rate gaming tax (PREU) for gaming equipment as per Article 110.6, letter A) - so-called AWPs from 13% to 17.5% of the wagers played and the simultaneous reduction of the minimum payout acknowledged to the player from 74% to 70% of the wagers taken;
- Section 919 established the increase of the flat-rate gaming tax (PREU) for gaming equipment as per Article 110.6, letter b) so-called VLTs from 5% to 5.5% of the wagers played.
- Section 920 repealed section 649 of Article 1 of Italian Law No. 190 dated 23 December 2014, which envisaged the reduction of the fees of the gaming machine industry for Euro 500 million and which led the Lazio Administrative Court to raise the exception of constitutionality of the norm before the Authorities; the subsequent section 921, with authentic interpretative norm of the provisions as per the afore-mentioned repealed section 649 (therefore valid for the period of enforcement), envisages that the reduction of the fees applies to each operator of the industry in proportionate to their participation in the distribution of the fee, on the basis of the related contractual agreements, having taken into account their duration in 2015.
- Section 922 envisaged that as from 2016, the issue of the authorisation of the newslots is only permitted in replacement of those already existing: therefore, the admission of additional machines is precluded.
- Section 943 delegates the definition of the process for the technological evolution of the newslot machines to a ministerial decree: it established the changeover to machines with remote control gaming systems (like VLTs). After 31 December 2017, authorisations can no longer be issued for the newslot machines which will have to be discarded by 31 December 2019. As from 1 January 2017, authorisations can be issued for machines which permit remote gaming. In the meantime, a proportional reduction of at least 30% of the authorisations referring to machines active as at 31 July 2015, referable to each concession holder, is envisaged. Therefore, reference is made to an implementing decree in order to discipline the formalities of this reduction, the cost of the new authorisations and the methods for the related payment, also in instalments.
- Section 936 specifies that by 30 April 2016 the characteristics of the wager collection points and the criteria for the geographic distribution be defined during the Joint Conference. The agreements are acknowledged by means of decree of the Ministry of the Economy and Finance, having consulted the competent parliamentary Commissions.

Measures regarding public gaming

- Section 944 envisages as from 1 January 2016, the changeover to the regime of taxation on the margin for remote ability games with cash winnings. The single tax applicable is fixed to the extent of 20% of the sums which are not returned to the player. The margin is equal to the difference between the wagers played and the winnings paid. At present, taxation is envisaged for these games in the wagers taken with a rate of 3% (with a market payout of 90%).
- Section 945, again as from 1 January 2016, envisages the changeover to the regime of taxation on the margin for fixed quota bets (18% for the bets on the physical network and 22 percent, if the wager takes place remotely). As from 1 January 2017, for remote Bingo games, the single tax is established to the extent of 20% of the sums which are not returned to the player.
- Section 932 envisages the launch, as from 1 May, of the selection procedure for the nine-year entrusting of the concessions for the taking of sports and horse racing bets (whose concessions expire on 30 June 2016 and the

norm envisages that they will continue to operate - so-called technical extension - until the stipulation of the new agreements) placing a total of 15,000 rights up for tender structured as follows:

  - 10,000 specialist gaming shops (opening price Euro 32,000);
  - 5,000 gaming points (so-called corners) of which a maximum of 1,000 to be activated in the concerns which provide food and beverages (opening price Euro 18,000).

- Launch of a selection procedure for the entrusting of 120 concessions for the marketing of remote games, to be publically announced by 31 July 2016, establishing a one-off cost of Euro 200,000. In practice, this involves the replacement of the concessions expiring on 30 June 2016.

In conclusion, mention is made of section 898 of the Law which raised the limit to the use of cash from Euro 1,000 to Euro 3,000. However, the limit of Euro 1,000 is introduced for Money transfers.
In general, the innovations introduced by the 2016 Stability Law, including therein the repeal of the tax of Euro 500 million introduced by the previous 2015 Stability Law, represent a step forward towards the definition of a more balanced regulatory and fiscal system in keeping with the characteristic business dynamics of the gaming sector. In fact, if on the one hand the taxation on gaming Machines is increased, on the other instruments are introduced aimed at handling the negative impact for the distribution industry by means of greater flexibility on the payout of the machines and by means of the evolution of the same machines destined to converge over the next three years in the innovative AWP3s. Also the changeover to the regime of taxation on the margin within the gaming sphere, represents an important change for the Concession holders, reducing the negative impact on the margins in the event of particularly unfavourable payouts.

L.1.2 Business outlook and updates on Business Plans

<u>Business outlook</u>

The Group's strategic objective is to consolidate its leadership position on the betting market with regard to the retail channel and increase the market share on the on-line channel. Thanks to the merger with Cogemat, the Group can count in an aggregate portfolio of products and on the expertise necessary for playing a prominent role also in the gaming machine sector. The know-how, available resources and the technological platforms of the new Group, together with an enhanced management team, will make it possible to achieve this objective.
In light of the new perimeter deriving not only from the merger with the Cogemat Group but also from the acquisition of Finscom and from the rental of the SIS business segment (by SRI), during 2016 the operations will mainly be characterised by the launch and execution of all the activities consequent to the proposed mergers and the extension of the activities in which the Group will be involved.
The main objectives are represented by the improvement of the market performances and the operating and financial efficiency thanks to the union of the expertise and experience of SNAI with that of the Cogemat Group.
In the sports betting business, the main activities will be focused in the increase of the “Live” offer by means of further development of the channels offered under streaming and a constant improvement of the risk management. New contractual formulas will also be introduced with the distribution industry with the aim of achieving the optimum balancing between management of the payout and wager volumes.
With regard to horse racing bets and those on simulated events, the Group’s objectives are respectively represented by the extension of the offer on the horse racing fixed quota and the arrangement of the platforms for the increase in the number of daily events.
With reference to the Tender call for the awarding of the betting rights envisaged in 2016, the Group’s minimum objective is to confirm the current scope of shops and corners.
In the gaming machines sector, the increase in the market share will be pursued by means of new canvasing for acquisitions and the downstream integration in the distribution chains.
In the VLT business, the activities will be focused on the further optimisation of the distribution network aimed at improving the average performance of the installed VLTs, on the precise management of the VLT payout and on the targeted selection of new gaming content.
In the AWP segment, a process will be furthered for retaining the loyalty of the major operators thanks to the creation of a group of selected partners for the future management and entrusting of the remote AWPs and any commercial development in pre-assigned geographic areas.

The supply of on-line games will also be developed with particular focus on casino games and cross-selling activities in sales point, as well as the extension of the network and the distribution channels for the added value services.
With regard to the retail network of SRI and Finscom, the objectives are identified in the improvement of the management efficiency and the operating performance thanks to targeted repositioning, restyling and promotional activities. In conclusion, the outsourcing strategy will be launched during 2016 via the entrusting of the SRI and Finscom points to third party operators.

<u>Progress of the business plan</u>

The afore-mentioned activities for the merger with the Cogemat Group within the SNAI Group and the reorganisation of the SIS and Finscom agency chains require the definition of a new Business Plan that is able to seize the expected improvements in performance both in the generation of revenues as well as in the operating efficiency offered by the new potential of synergies linked to expertise and the available means of the new Group.
Therefore, as things stand, also due to the changes which recently took place in the regulation of the sector, the previous SNAI plan is deemed no longer suitable by the Directors.
The new business plan, which will be defined during 2016, will draw inspiration and develop the 2016-2019 Guidelines, already referred to in the section relating to the assessment of the business as a going-concern, and may supplement a number of essential inputs which will be outlined during the year such as:

(i) timescales, costs and results of the tender call for the new sport concessions;

(ii) savings deriving from the SNAI-Cogemat merger sites, including therein the verification underway with the trade union organisations; and
(iii) the effects of the reorganisation of the network of shops headed up by SIS and Finscom.

L.2 Events since the end of the year

L.2.1 Payment of 2015 Stability Law Contribution

During the first few months of 2016, steps were taken to pay the additional amounts collected from the industry after the end of 2015, by way of 2015 Stability Law contribution, for a total of Euro 1,761 thousand.

L.2.2 Repayment of ADM Guarantee Deposit

During March, the concession holders Snai S.p.A. and Cogetech S.p.A. received a communication from ADM informing them of the percentage of achievement of the service levels used to determine the amount of the Guarantee Deposit to be returned for 2015. The total amount of the Guarantee Deposit which the SNAI Group is awaiting, to be returned by ADM, amounts to approximately Euro 37.4 million.

L.2.3 ADM Monitoring Procedure on the concession indices of SNAI S.p.A.

On 19 April 2016, ADM sent SNAI a note relating to the monitoring procedure on the concession indices in relation to the violation of the indebtedness index and the other indices whose observance is required by the concession agreements, already referred to in the section relating to the assessment of the business as a going-concern. The indebtedness index has been returned under the threshold value further to the finalisation of the Cogemat transaction on 19 November. Following said communication, it is deemed that no risk exists linked to the cessation of the concessions due to failure to observe the capital solidity concessionary covenants.

L.2.4 Approval of Merger Project

During the board meetings held on 21 and 26 April, the BoDs of SNAI S.p.A. and the companies it fully, directly or indirectly, invests in, Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A., approved the mutual merger project for incorporation within SNAI.
The resolution represents the natural evolution of the rationalisation programme, further to the transaction which became effective on 19 November 2015, aimed at simplifying the structure and more fully developing the current operating, administrative and corporate synergies. In fact, following the merger, all the activities currently carried out in the gaming and betting sector of the companies being incorporated will be concentrated under SNAI alone, which will therefore take over the asset and liability relationships of the same, without interruption.
Having taken into account that SNAI already holds the entire share capital of Cogemat which in turn holds the entire share capital of CGT Gaming and Cogetech (the latter the entire share capital of Azzurro), no SNAI shares will be assigned as a share swap for the investment in the companies being incorporated directly and indirectly held. Therefore, no share capital increase will take place for SNAI to serve the share swap, nor any change in the number and features of the SNAI shares in circulation, nor will any cash adjustment be assigned. The Articles of Association of the absorbing company will not undergo any changes as a result of the merger and the same will not legitimate any right to withdraw for the shareholders.

L.2.5 Dealings with Consob

The company started activities for the drafting of the Information Prospectus relating to admission to trading on the electronic equity market (MTA) organised and managed by Borsa Italiana S.p.A. for 71,602,410 ordinary shares deriving from the share capital increase linked to the transaction for the purchase of the Cogemat Group. Accordingly, the authorisation process has been launched vis-à-vis Consob with the aim of obtaining authorisation to publish the Prospect within the first half of 2016.

L.2.6 FIU Ordinary Inspection

On 21 March 2016, the FIU - Financial Information Unit for Italy - launched care of SNAI S.p.A. an ordinary inspection pursuant to Articles 47 and 53, section 4 of Italian Legislative Decree No. 231/07 in relation to analysis on the process for reporting suspect transactions. SNAI S.p.A. provided the utmost collaboration and support to the authority. The activities concluded on 15 April.

L.2.7 Rental of SIS Business Unit

On 29 February 2016, the condition precedent envisaged by Article 9.3 of the agreement for the purchase of the former SIS business complex, currently rented, was met. As of today's date, the transactions are being completed, agreed with the bodies of the SIS creditors' agreement procedure, for the closing of the transaction, which - presumably - should take place in June 2016.

L.2.8 Appointment of new CFO

Since January 2016, SNAI S.p.A. has entrusted the running of the Administration, Finance and Control Division of the Group to Chiaffredo Stefano Rinaudo.

M. ANNOTATION RELATED TO THE SAFETY PLANNING DOCUMENT (LEGISLATIVE DECREE NO. 196/03)

During 2015, the SNAI Group updated and disseminated the "Internal Document on the Safety of Personal Data pursuant to Italian Legislative Decree 196". This document was developed as from the date of issue of Law Decree 5 of 9 February 2012

“Urgent revisions on simplification and development”, insofar as the function of the internal document for discharge of the duties relative to privacy, including the minimum security measures pursuant to attachment B of Legislative Decree 196/03.

N. OTHER INFORMATION

N.1 Other information pursuant to Art. 2428 of the Italian Civil Code and Art. 40 of Legislative Decree No. 127 (Art. 2428 ICC)

The subsidiary Finscom S.r.l. owns 70,624 SNAI shares for a nominal value of Euro 36,724.48. Neither SNAI S.p.A. nor other companies of the SNAI Group have ever granted any loan or guarantees, either directly or indirectly, for the purchase or trading of shares in SNAI S.p.A. or its parent company. SNAI S.p.A. and the other companies of the Group are not subject to particular risks related to the fluctuation of exchange rates.
The SNAI Group manages commercial risks vis-à-vis its customers internally.

N.2 Report on Corporate Governance

The Report on corporate governance and shareholding structures for 2015 was approved by the board of directors in its meeting held on 26 April 2016 and published on the website www.snai.it in the “Governance” section.

N.3 Option to take advantage of national tax consolidation

In September 2015, the corporate bodies of SNAI S.p.A. and Teleippica S.r.l. renewed their three year option to participate in the national tax consolidation, based on the articles of Italian Presidential Decree No. 917 of 22 December 1986, and subsequent amendments. At the same time, the option to adhere to the tax consolidation between Snai S.p.A. and the newly established subsidiary Snai Rete Italia S.r.l. was exercised for the same period.
On 11 June 2013, TRENNO S.r.l. had renewed its commitment to the tax consolidation for a further three years.

O. PROPOSALS BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,
Trusting in your agreement with the structure and criteria followed in the report on the Financial Statements for period ended 31 December 2015, in its entirety and as to its individual sections, we invite you to resolve upon:

- *the approval of the report, the financial statements and the notes to the financial statements*

We request that you approve, together with the directors' report, the Financial Statements for the period ended 31 December 2015 which closes with a net loss of Euro 48,001,709.49;

- the coverage of the loss for the year

The Board of Directors proposes that the loss for the year set forth in the Balance Sheet and Income Statement be covered as follows:

	Euro
Loss for the year to be covered	48,001,709.49
To be covered by using:	
- Merger surplus reserve	2,325,627.46
Share premium reserve	45,676,082.03

On behalf of the Board of Directors
Fabio Schiavolin
(Managing Director)

Milan, Italy, 26 April 2016

****

The executive responsible for the preparation of the corporate and accounting documents, Marco Codella declares pursuant to art. 154 bis*, paragraph 5 of the Finance Consolidation Act that the financial disclosure set forth in this document corresponds with the data contained in the accounting documents and records.*

SNAI S.P.A.
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015 AND EXPLANATORY NOTES

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SNAI S.p.A. - Comprehensive Income Statement

amounts in Euro	Note	Year 2015	of which related parties note 31	of which non-recurring note 33	Year 2014	of which related parties note 31	of which non-recurring note 33
revenues from sales and services	3	497,365,833	290,022		510,483,689	222,174	
Other revenue and income	4	32,838,049	1,161,190	30,789,349	2,478,704	1,118,294	
Change in inventory of finished and semi-finished products	17	(16,121)			(36)		
Raw materials and consumables	5	(272,342)			(711,870)		
Costs for services and use of third party assets	6	(361,659,355)	(7,575,239)	(1,174,639)	(355,548,256)	(9,442,010)	
Costs of personnel	7	(30,324,067)	(24,539)		(26,571,926)	(46,641)	
Other operating costs	8	(44,398,580)	87,308	(4,025,401)	(39,510,870)	(16,673)	
Capitalised internal construction costs	9	1,391,668			1,539,293		
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes		**94,925,085**			**92,158,728**		
Amortisation, depreciation and write-downs	10	(53,726,824)			(56,911,613)		
Other provisions	26	(8,701,293)			(185,643)		
Earnings before interest and taxes		**32,496,968**			**35,061,472**		
Gains and expenses from shareholdings		(15,377,246)			(3,049,417)		
Financial income		2,888,946	1,721,330		2,273,732	542,458	
Financial expenses		(60,145,404)	(443,449)		(60,202,056)	(171,243)	
Total financial income and expenses	11	**(72,633,704)**			**(60,977,741)**		
PROFIT/(LOSS) BEFORE TAXES		**(40,136,736)**			**(25,916,269)**		
Income tax	12	(7,864,973)			(1,973,455)		
Profit/(loss) for the period		**(48,001,709)**			**(27,889,724)**		
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	23	68,019			(145,538)		
Other comprehensive income which will not be restated under profit/(loss) for the year after taxes		**68,019**			**(145,538)**		
Net (loss)/profit from derivatives as cash flow hedges	23	2,124,050			2,124,050		
Other comprehensive income which will be restated under profit/(loss) for the year after taxes		**2,124,050**			**2,124,050**		
Profit/(loss) in comprehensive income statement, after taxes		**2,192,069**			**1,978,512**		
Total net profit (loss) for the year		**(45,809,640)**			**(25,911,212)**		

SNAI S.p.A. - Balance sheet

amounts in Euro	Note	31.12.2015	of which related parties note 31	31.12.2014	of which related parties note 31
ASSETS					
Non-current assets					
Property, plant and equipment owned		128,138,861		133,584,691	
Assets held under financial lease		2,872,392		3,781,330	
Total property, plant and equipment	13	**131,011,253**		**137,366,021**	
Goodwill		231,087,971		231,087,971	
Other intangible assets		69,375,010		102,655,318	
Total intangible assets	14	**300,462,981**		**333,743,289**	
Shareholdings in subsidiaries & affiliates		161,125,022		18,656,499	
Shareholdings in other companies		45,848		45,848	
Total shareholdings	15	**161,170,870**		**18,702,347**	
Deferred tax assets	16	71,872,581		78,408,033	
Other non-financial assets	19	1,249,706		1,775,814	
Non-current financial assets	20	112,511,204	110,738,182	1,244,418	
Total non-current assets		**778,278,595**		**571,239,922**	
Current assets					
Inventories	17	417,964		456,259	
Trade receivables	18	58,919,304	1,199,303	47,669,000	289,905
Other assets	19	30,694,796	2,017,008	26,504,972	2,816,624
Current financial assets	20	29,118,594	9,264,325	22,276,643	2,613,555
Cash and cash equivalents	21	53,977,749		66,921,751	
Total current assets		**173,128,407**		**163,828,625**	
TOTAL ASSETS		**951,407,002**		**735,068,547**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' Equity					
Share Capital		97,982,245		60,748,992	
Reserves		92,096,855		12,865,028	
Profit/(loss) for the period		(48,001,709)		(27,889,724)	
Total Shareholders' Equity	22	**142,077,391**		**45,724,296**	
Non-current liabilities					
Post-employment benefits	24	1,624,748		1,698,790	
Non-current financial liabilities	25	573,069,388		464,768,604	
Deferred tax liabilities	16	56,466,268		57,928,556	
Provisions for risks and charges	26	27,500,063		10,811,504	
Sundry payables and other non-current liabilities	27	1,431,083		2,325,711	
Total non-current liabilities		**660,091,550**		**537,533,165**	
Current liabilities					
Trade payables	28	26,105,615	588,630	29,600,379	672,277
Other liabilities	27	109,093,476	8,325,168	94,355,946	6,752,328
Current financial liabilities		14,038,970	10,504,076	8,302,812	4,932,687
Current portion of long-term borrowings		0		19,551,949	
Total financial liabilities	25	**14,038,970**		**27,854,761**	
Total current liabilities		**149,238,061**		**151,811,086**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**951,407,002**		**735,068,547**	

SNAI S.p.A. - Statement of changes in Shareholders' Equity

(amounts in thousands of Euro)

	Note	Share Capital	Legal Reserve	Share premium reserve	Merger Reserves	Cash Flow Hedge Reserve	Reserve for Post-empl.benefits (Ias 19)	Retained earnings (loss)	Profit/Loss for the year	Total Shareholders' Equity
Balance as at 01.01.2014		60,749	1,559	108,282	0	(4,247)	(111)	(260)	(94,336)	71,636
Loss for fiscal year 2013				(94,336)					94,336	0
Profit/(Loss) for the year									(27,890)	(27,890)
Other comprehensive profit/(loss)	23					2,123	(145)			1,978
Total profit/(loss) as at 31.12.2014						2,123	(145)		(27,890)	(25,912)
Balance as at 31.12.2014		**60,749**	**1,559**	**13,946**	**0**	**(2,124)**	**(256)**	**(260)**	**(27,890)**	**45,724**

	Note	Share Capital	Legal Reserve	Share premium reserve	Merger Reserves	Cash Flow Hedge Reserve	Reserve for Post-empl.benefits (Ias 19)	Retained earnings (loss)	Profit/Loss for the year	Total Shareholders' Equity
Balance as at 01.01.2015		60,749	1,559	13,946	0	(2,124)	(256)	(260)	(27,890)	45,724
Loss for fiscal year 2014	22		(1,559)	(13,946)				(12,385)	27,890	0
Merger of Festa S.r.l. and Immobiliare Valcarenga S.r.l. into SNAI S.p.A.					2,326		(23)			2,303
Capital increase	22	37,233		102,627						139,860
Profit/(loss) for the year									(48,002)	(48,002)
Other comprehensive profit/(loss)	23					2,124	68			2,192
Net amounts as at 31.12.2015						2,124	68	0	(48,002)	(45,810)
Balance as at 31.12.2015		**97,982**	**0**	**102,627**	**2,326**	**0**	**(211)**	**(12,645)**	**(48,002)**	**142,077**

SNAI S.p.A. - Cash Flow Statement

	amounts in Euro	Note	31.12.2015	of which related parties note 31	31.12. 2014	of which related parties note 31
A.	**CASH FLOW FROM OPERATIONS**					
	Profit/(loss) for the period		(48,001,709)		(27,889,724)	
	Amortisation, depreciation and write-downs	10	53,726,824		56,911,613	
	Write-downs and losses on shareholdings		8,639,294		3,049,417	
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	16	3,926,941		(777,232)	
	Change in provision for risks	26	16,670,835		(5,301,194)	
	(Capital gains) capital losses from non-current assets (including shareholdings)	4-8	466,924		1,078,550	
	Net change in sundry non-current trade assets and liabilities and other changes	19-27	(359,013)		(857,736)	
	Net change in current trade assets and liabilities and other changes	17-18 and 27-28	(9,162,132)	2,115,063	10,271,011	98,369
	Net change in post-employment benefits	24	(104,205)		(11,544)	
	CASH FLOW FROM (USED IN) FROM OPERATIONS (A)		**25,803,759**		**36,473,161**	
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Investments in property, plant and equipment (-)	13	(8,082,464)		(10,150,444)	
	Investments in intangible assets (-)	14	(4,690,932)		(7,725,563)	
	Contributions to cover losses in shareholdings	15	(6,752,632)		(5,000,000)	
	Acquisitions of shareholdings	15	(1,832,816)		0	
	Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	4	96,444		121,393	
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		**(21,262,400)**		**(22,754,614)**	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Change in financial receivables and other financial assets	20	(7,370,555)	(6,650,770)	3,640,822	5,134,563
	Intercompany loan	20	(110,738,182)	(110,738,182)	0	
	Change in financial liabilities	25	13,463,411	2,250,149	5,712,275	3,957,746
	Entering of a bond loan	25	107,272,546		0	
	Repayment of bond loans	25	(20,000,000)		0	
	Capital increases/reimbursements, net of formation and enlargement costs	22	(140,231)		0	
	Cash flows from merger	21	27,650		0	
	Changes in debts to betting agencies deferred through purchase of "concession" business units	25	0		(10,000)	
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		**(17,485,361)**		**9,343,097**	
D.	**CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)**		**0**		**0**	
E.	**TOTAL CASH FLOW (A+B+C+D)**		**(12,944,002)**		**23,061,644**	
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**		**66,921,751**		**43,860,107**	
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)**		**53,977,749**		**66,921,751**	
	RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):					
	CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE YEAR, DETAILED AS FOLLOWS:					
	Cash and cash equivalents		66,921,751		43,860,107	
	Bank overdrafts		0		0	
	Discontinued operations		0		0	
			66,921,751		**43,860,107**	
	CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE YEAR, DETAILED AS FOLLOWS:					
	Cash and cash equivalents		53,977,749		66,921,751	
	Bank overdrafts		0		0	
	Discontinued operations		0		0	
			53,977,749		**66,921,751**	

Interest expenses paid over 2015 amounted to around Euro 48,444 thousand (Euro 48,957 thousand in 2014).
Taxes paid over 2015 amounted to around Euro 4,357 thousand.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Relevant accounting standards

SNAI S.p.A. (hereinafter also referred to as the "Company" or "SNAI") has its registered office at Via Luigi Boccherini, 39 Porcari (LU) - Italy.

On 24 November 2014, the merger deed was signed envisaging the incorporation into SNAI S.p.A. of the entirely controlled companies Festa S.r.l. and Immobiliare Valcarenga S.r.l., in application of the resolution on merger made by the competent bodies on 28 and 31 July 2014. The resolution was made available to the public together with the Merger Plan and the related Directors' Report.
The merger is effective as from 1 January 2015 for both tax and accounting purposes.
As regards the recognition of the merger, the Company adopted the pooling or the interest method.

1.1. Directors' estimates related to the going concern requirements

The capital, financial position and operating results of the Company are characterised by: (i) negative results, partly due to the effects of unforeseeable phenomena (also including, for 2015, the net extraordinary income of Euro 26.4 million, resulting from the transaction with Barcrest Group Limited), as well as a significant amount of amortisation/depreciation and financial expenses, (ii) intangible assets of a significant amount, as compared to the shareholders' equity which is reduced due to accumulated losses, (iii) a significant level of indebtedness, with flows assigned to its reduction that are limited by the absorption of liquidity required by the investments that are typical of the business, and by financial expenses.

In particular, as regards the financial statements ended 31 December 2015, the Directors highlight that the Company reported a net loss of Euro 48 million, including a positive net effect related to non-recurring revenue and costs amounting to Euro 25.6 million, mainly regarding to the so-called Barcrest transaction. Net financial indebtedness, equal to Euro 523.9 million, is mainly composed of bond loans issued and subscribed on 4 December 2013 (Euro 320 million and Euro 160 million) and on 28 July 2015 (Euro 110 million), to be repaid in 2018.

The Directors also report that earnings in 2015 are lower than in the same period of the previous year as well as expectations, despite the positive effect of the Barcrest transaction. The differences compared to expectations are due to some main factors; i) lower than expected revenues and margins from sports betting, also due to a better payout, which reached 82.5%; ii) lower wagers, also due to some critical issues connected with a portion of the distribution network and the already solved shutdown of some gaming points (Finscom and former SIS networks); iii) lower revenues and margins generated by bets on virtual events and horse racing, partly due to the aforesaid critical issues connected with the shutdown of some gaming points.

Moreover, Directors reported that the merger with the Cogemat Group, completed on 19 November 2015, allowed for the prompt increase in share capital in the amount of around Euro 37.2 million, and more generally the increase in Shareholders' Equity, in the amount of Euro 140 million. By virtue of the same transaction, the Shareholders' Equity as at 31 December 2015 amounted to Euro 142 million, compared to Euro 45.7 million as at 31 December 2014.

In addition to the effects on Shareholders' Equity and indebtedness, Directors underline that the three extraordinary transactions, which characterised the year 2015 (Cogemat, SIS e Finscom), define a new consolidation area of the SNAI Group, with a

- wider and deeper presence at local level (63 new owned sales points, disseminated over the entire national territory);
- a higher market share in the Gaming Machines segment (second operator at domestic level, with over 15% of market share);
- a more balanced profitability amid the various components resulting from Gaming Machines and a minor
- portion of EBITDA, which is affected by the oscillation of payout on betting.

Within this context, there are still uncertainties, some of which beyond the exclusive power of Directors, connected with uncertainty of successful future events and with the features of the reference market. These uncertainties might affect margins and the Company's future refinancing capacity.

Therefore, the Company's ongoing perspective is affected by the following factors:

- Renewal of concessions for the network of sales points for betting, to be due on 30 June 2016. The Company aims at renewing its concessions in the field of bets as this plays an important role in its business. Based on information available today on the characteristics of the tender related to betting, as set out by 2016 Stability Law, the Company deems that the Group will be eligible to obtain the renewal of the concessions currently managed.
  Always with respect to concessions, it is worth noting that, during 2015, ADM sent a number of notices to the Company as regards the non-payment with respect to some equity ratios, as provided for by the concession agreements themselves. The agreements set out, in fact, that the concession holders should maintain "equity soundness requirements" to prove the fulfilment of some capital ratios which, if unfulfilled over a prolonged period of time, would theoretically result in a procedure related to the expiration or revocation of concessions themselves. Supported by (i) the fact that as at 31 December 2015 the ratio deemed as the most important (net indebtedness/shareholders' equity ratio) was fulfilled, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is unlikely (iii) the written confirmation by ADM that the proceeding started is only for monitoring purposes, the Directors believe that there are no risks resulting from the unfulfillment of the capital ratios that might affect the maintenance or renewal of concessions.

- The Company's capacity to generate adequate cash flows. Directors deem that SNAI's consolidated Business Plan (approved on 12 March 2015) contains forecasts that are no longer updated by reason of the merger of the Cogemat Group into the SNAI Group and the new macro-economic and regulatory context in which the Company operates. While compiling the new consolidated Business Plan, on 21 April 2016 the Directors approved the guidelines of corporate estimates for 2016-2019 ("2016-2019 Guidelines"), based on which the main evaluations were made for the 2015 financial statements.
  The new Business Plan is currently being completed as estimates have to be fine-tuned with respect to scenarios that are still being defined, like (i) estimates on timing and investments connected with the tender for new concessions on the network of betting sales points, to be due on 30 June 2016, (ii) further savings that are expected from SNAI-Cogemat merger and (iii) benefits from the reorganization of the network of shops owned by the Finscom and former SIS network.
  Based on estimates contained in the Guidelines, the Company deems is appropriate to aim at the growth in wagers over the next few years (this will result in increased revenue and margin) through a number of initiatives including increased online offer and an increased offer related to virtual events.
  In addition to the above, benefits are expected in terms of reduced operating costs and optimization of investments resulting from the merger with the Cogemat Group, as well as from wagers connected with the re-opening of 63 SIS/Finscom sales points. Moreover, the combined effects of novelties, introduced in the segment of gaming machines by the 2016 Stability Law, will have a limited impact on the Company's margins in the first months of 2016 and, prospectively, substantially no impact with respect to a progressive reduction in payout permitted for Gaming machines (AWPs).
  Lastly, the 2016-2019 Guidelines reflect the reduction of amortisation/depreciation and financial expenses due to (i) the renewal of concessions for the network of betting sales points to be due on 30 June 2016, with an estimated investment based on indications set out by the 2016 Stability Law that are significantly lower that the historical cost currently recognised in the financial statements and (ii) the use of cash resulting from corporate future performance for the partial reimbursement of the Company's indebtedness.
  Within this context, uncertainties connected with the Company's performance should decrease by effect of the new product mix of the Group, which will witness the increase in importance of gaming machines, a possible improvement of payout on sports bets, thanks to new management agreements that better align the interests of the network with SNAI's ones and the new taxation on betting, which is calculated on margin and no longer on wagers, thus reducing the tax burden in the event of particularly unfavourable payouts.

- The Company's ability to refund the loans upon maturity, or to refinance its indebtedness. Taking account of the above, the Company believes that it will be able to achieve a progressively improving result, thus generating adequate operating cash flows to support the investments that are required to develop the Company's business and to partially redeem/refinance loans in place, also through the issue of new financial instruments. Moreover, taking account of the relevant indebtedness of the Company and of the negative results reported over past years, taking also account of uncertainty connected with the reference market, is should be underlined that the non-renewal of a significant portion of the current rights and/or non-generation of profit and adequate cash flows and/or the non-redemption, upon maturity term, of loans in place, or their refinancing, might affect the ongoing basis of the Company, unless additional capital resources and/or credit lines are found, which are still to be defined.

Taking account of the above, the Directors believe that targets set out in the 2016-2019 Guidelines are reasonable and that, albeit in the presence of the foregoing uncertainties, the Company has the capacity to continue its business operations in the near future, and therefore have prepared the financial statements based on the going concern assumptions.

On the other hand, the same Directors acknowledged the necessity to carry out a careful and constant monitoring of results, in order to timely assess any further factors that might have a negative impact on corporate performance, therefore affecting the current and future years and, in general, the achievement of an economic, equity and financial balance.

1.2 Accounting standards

(a) General standards

The financial statements as at 31 December 2015 were prepared on the basis of the IFRS, in force as at such date, issued by the International Accounting Standards Board and endorsed by the European Commission.

The accounting standards adopted in the preparation of these financial statements are in compliance with accounting standards adopted to prepare the financial statements as at 31 December 2014, except for the adoption of the new or reviewed International Accounting Standards and International Financial Reporting Interpretations. The adoption of such amendments and interpretations did not have any significant effects on the Company’s financial position or net result.

The term IFRS refers to the reviewed international financial reporting standards and International Accounting standard (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC), adopted by the European Union.

Amendments and new standards and interpretations

As required by paragraph 28 of IAS 8, the IFRS applied by the Company as from 1 January 2015 are indicated and succinctly described.

The various amendments to the accounting standards applied for the first time in 2015 had no impact on the financial statements.

Amendments to IAS 19 - Employee Benefits: Employee Contributions

IAS 19 requires that an entity recognises contributions by employees or third parties in the accounting of a defined benefit plan. When employee contributions are related to service, they should be attributed to periods of service as a negative benefit. The amendment clarifies that, if the contributions are regardless of the years of employment, the entity will be entitled to recognise these contributions to reduce the cost of service in the same period in which the same is rendered, instead of allocating contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 February 2015.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for levies not before the occurrence of the event to which the payment is connected, in compliance with applicable law. As regards payments that are due only upon the overcoming of a specific minimum threshold, the liability is recorded only when such threshold is reached. The standard IFRIC 21 must be applied retrospectively. This interpretation shall be applied to financial statements beginning on, or after, 17 June 2014.

Annual cycle of IFRS improvements - 2010-2012

Improvements will be effective for annual periods beginning on or after 1 February 2015 and relate to the following issues:
IFRS 2: Definition of “*Vesting Condition*s”;
IFRS 3: Recognition of “*contingent consideration*” in a *business combination*;
IFRS 8: Disclosure on the aggregation of operating segments;
IFRS 8: Reconciliation of the total of the reportable segments’ assets to the entity’s assets;
IFRS 13: Short-term receivables and payables;
IAS 16/IAS 38: Revaluation model: proportional *restatement* of accumulated amortisation and depreciation
IAS 24: Considered as related party of a management company which supplies management services with key responsibilities.

Annual cycle of IFRS improvements - 2011-2013

Improvements relate to the following issues:
IFRS 3: It is clarified that this standard is not applicable while accounting the conclusion of a joint-control agreement;
IFRS 13: Modified application field of paragraph 52 (portfolio exception).

IAS 40: Clarifications on the relation of IFRS 3 “Business Combinations” and IAS 40 “Investment Property” when the real estate property is classified as investment property or property owner-occupied.
This cycle of improvements had no impact on the Company’s financial statements.

Standards issued but not yet in effect
This section shows the standards which had already been issued at the reporting date of the Company’s financial statements, but had not yet entered into effect. The list refers to the standards and interpretations that the Company reasonably expects will be applicable in the future. The Company intends to adopt these standards once they enter into effect.

Amendments to IFRS 11 - Joint Arrangements: Acquisition of an interest
The amendments to IFRS 11 envisage that a joint operator, who reports the acquisition of an interest in a joint control contract in which the activity of the joint operation constitutes a business, should apply the principles as defined in IFRS 3 on the basis of the business combinations guidance. The amendments clarify that, in the event a joint control is maintained, the interest previously held in a joint-control agreement shall not be re-measured upon the acquisition of another interest. Moreover, for clarification purposes, the following was excluded from the object of the IFRS 11. Amendments are not applicable when the parties in a joint control, including the entity that prepares the financial statements, are subject to the control of the same ultimate controlling entity. Amendments are applicable to both the acquisition of the initial interest in a joint-control agreement, and the acquisition of any further interest in the same joint-control agreement. Amendments should be applicable prospectively to the annual periods beginning on or after 1 January 2016. Early application is permitted. No impact on the Company is expected for the application of these amendments.

Amendments to IAS 16 and IAS 41: Agriculture - bearer plants
The amendment clarifies that living plants that are used solely in the production of agricultural products over the various years (bearer plants), should be subjected to the same accounting treatment as per property, plant and equipment, according to standard IAS 16 Property, Plant and Equipment, as the concept is similar to manufacturing production. Amendments should be applicable prospectively to the annual periods beginning on or after 1 January 2016. Early application is permitted. No impact on the Company is expected for the application of these amendments.

IFRS 9 - Financial Instruments
In July 2014, IASB issued the final version of IFRS 9 Financial Instruments, which reflects all the project steps related to financial instruments and supersedes IAS 39 "Financial Instruments: Recognition and Measurement” and all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment loss and hedge accounting. IFRS 9 is applicable to the annual periods beginning on or after 1 January 2018. Early application is permitted. The standard shall be applied retrospectively, although the supply of comparative information is not compulsory. The early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the first-time adoption is before 1 February 2015. The Company is currently evaluating the impact of IFRS 9.

IFRS 16 – Leases
The standard sets out that, unlike in the past, leases be presented in the company’s financial statements, thus improving the disclosure of their assets and liabilities. IFRS 16 cancels the distinction between operating and financial leases (for the lessee) and all lease agreements should be treated as financial leases. Short-term leases (within 12 months), and those in which the underlying asset has a low value, are excluded from recognition requirements. The new Standard was issued on 13 January 2016 and will be effective on 1 January 2019. Early application is permitted provided that the recent standard IFRS 15 - Revenue from Contracts with Customers be applied.

IFRS 15 Revenue from Contracts with Customers
The IFRS 15 standard was issued in May 2014 and provides a five-step new model to be applied to all contracts with customers. According to IFRS 15, revenue should be recognised for an amount corresponding to the right in payment the entity believes to have against the sale of goods or services to customers. This standard envisages a more structured approach in recognising and measuring revenue, while replacing all current requisites envisaged in the other IFRS as regards recognition of revenue. IFRS 15 is applicable to the annual periods beginning on or after 1 January 2018, with full or modified retrospective application. Early application is permitted. The Company is currently evaluating the impact of IFRS 15.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments clarify the principle, included in IAS 16 and IAS 38, that revenues reflect a model of economic benefits generated by the management of a business (in which the asset is embodied), rather than the consumption of the economic benefits when an asset is used. As a result, a method based on revenues cannot be used for depreciation of real estate properties, plant and machinery and could be used only in very restricted circumstances when amortising

intangible assets. Amendments should be applicable prospectively to the annual periods beginning on or after 1 January 2016. Early application is permitted. No impact on the Company is expected while applying these amendments, given that the Company does not use revenue-based methods for the amortisation/depreciation of non-current assets.

Amendments to IAS 1: use of judgement in disclosures related to the financial statements
The amendments to IAS 1 clarify some elements perceived as restrictions to the use of judgement by the persons in charge of preparing the financial statements and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

Amendments to IAS 7 - Cash Flow Statement
Improvements concern disclosure requirements of changes in liabilities arising from cash flows as well as of changes that do not arise from cash flows (e.g. exchange gains/losses). Amendments were issued on 29 January 2016 and will be effective on 1 January 2017.

Amendments to IAS 12 - Income tax
IASB clarifies that deferred tax assets, related to unrealised losses on debt instruments measured at fair value, should be recognised. Amendments were issued on 19 January 2016 and will be effective on 1 January 2017.

Amendments to IAS 27: The equity method in separate financial statements
The amendments will reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and affiliates in an entity's separate financial statements. Entities that are already applying the IFRS standards and elect to modify the accounting principles by adopting the equity method to their separate financial statements should apply the amendment retrospectively. In the event of fist-time adoption of IFRSs, the entity that elects to adopt the equity methods in the separate financial statements should apply this standard at the transition date to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. No impact on the Company's financial statements is expected for the application of these amendments.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: application of the exception to consolidation
The amendment clarifies the critical issues resulting from applying the exception to consolidation, as envisaged for investment entities, and it is effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

Annual cycle of IFRS improvements - 2012-2014
Improvements will be effective on or after 1 January 2016 and relate to the following issues:
IFRS 5: Guideline to reclassification of disposal methods;
IFRS 7: Further guideline to service agreements and applicability of IFRS7 to interim financial statements;
IAS 19: Clarification on the discount rate;
IAS 34: Clarification on the meaning of "in other sections of the interim financial statements".

The Company has not opted for an early adoption of any standard, interpretation or improvement issued, but not yet in effect.

Reporting format of the Financial Statements
The accounting layouts adopted by the Company for the year ended 31 December 2015 have not changed from those adopted on 31 December 2014. For comparison purposes, figures in the financial statements ended 31 December 2015, concerning both financial and equity items, have been restated and a third column was included next to the unchanged data related to the previous year. The disclosed amounts include financial and equity values resulting from the merger of the merging company SNAI Spa and merged companies Festa S.r.l. and Immobiliare Valcarenga S.r.l.

The layouts adopted by the Company are as follows:

Balance sheet
The format adopted for the Balance sheet distinguishes between current and non-current assets and current and non-current liabilities and, for each asset and liability item, the disclosed amounts are those expected to be settled or recovered within or after 12 months from the reporting date.

Comprehensive Income Statement
The Comprehensive income statement reports the items by type, as this is considered more consistent with the Company’s activities.

Statement of Changes in Shareholders' Equity

The Statement of changes in shareholders' equity presents the net results for the period, and the effects, on each item of shareholders' equity, of changes in accounting standards and corrections of errors 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 year-end.

Cash Flow Statement

The Cash Flow Statement shows the cash flows deriving from operating, investing and financing activities. The cash flows from operating activities are presented using the indirect method, whereby the net result for the year or the period is adjusted for the effects of operations of a 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.

With respect to disclosures in the financial statements as at 31 December 2015, the following items were reclassified to improve disclosure of items in the Income Statement:

- from item "Revenue from sales of goods and services" to item "Other revenue and income", in the amount of Euro 675 thousand, mainly related to revenues from organisation and technology sales;
- from item "Costs of third-party services and leasing/rental expenses" to item "Other operating costs", in the amount of Euro 140 thousand, related to the tax on prize betting for Euro 70 thousand and urban waste tax for Euro 70 thousand.

(b) Drafting criteria

These annual financial statements, in which amounts are expressed in Euros, have been drafted based on the general criteria of historic cost, except for certain buildings, land, plant and equipment measured at deemed cost as defined below as well as derivatives (fixed-odds bets and reference) and shareholdings in other companies recognised at fair value.

Uncertainty of estimates

In applying the accounting principles, the directors have made decisions based on certain hypotheses regarding the future and other important sources of uncertainty in estimates made at the closing date of the financial statements that might result in corrections of the carrying amounts of the 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 2016-2019 budget objectives, as set out in the Guidelines approved by the Company's Board of Directors on 21 April 2016.

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 period 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

On each financial reporting date, the Company checks all the non-financial assets for indications of impairment. 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 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.

Provisions
The Company recognises provisions mainly in connection with litigation. Given the complexity of the regulatory framework in which the Company operates, estimating the amount of such provisions requires a complex process involving subjective judgements on the part of the Company's Management.

(c) Valuation and consolidation criteria

Business combinations involving entities or businesses under common control
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Operations of "business combinations involving entities or businesses under common control" are outside the scope of IFRS 3 (IFRS 3.B1).
The transactions of a "business combination of entities under common control" may be stipulated in various legally relevant contractual forms in the financial statements of the year in which the mergers occur. In the absence of a specific IFRS interpretation or principle that applies to such transactions, IAS 1.13 generally requires the financial statements to give a reliable and faithful presentation of the effects of the transactions. When looking for an accounting treatment that falls within the conceptual scope of the Framework and satisfies the criteria of IAS 8.10, the critical factor is that the accounting principle selected to represent transactions under common control must reflect the economic substance of the transactions, irrespective of their legal form. The presence or absence of "economic substance" therefore appears to be the key factor to be used in selecting the accounting principle.
In this specific case, we believe that the transaction did not have a significant influence on the future cash flows from the transferred net assets. Thus, the application of the principle of continuity of values results in the recognition on the balance sheet of the same amounts as those that would have been stated if the combined (merged) entities had always been united. The net assets of the acquired entity and of the acquiring entity are therefore recognised at the carrying amounts that they had on their own books before the merger. In line with that principle, the subsequent accounting entries will continue to have the amounts used in the previous accounting systems. The income statement equals the aggregate amount of the income statements of the integrated entities.

Shareholdings in subsidiaries and affiliates
The shareholdings in subsidiaries are equity investments in entities controlled by the Company. This control exists when the Company is entitled to determine, directly or indirectly, the financial or management policies in order to obtain benefits deriving from its operations.
Affiliates are entities whose financial and management policies are considerably influenced by the company but not under the company's control.
Paragraph 37 of IAS 27 stipulates that for companies required to draft consolidated financial statements, the shareholdings in subsidiaries and affiliates that are not held for sale may be measured either at or cost or in accordance with IAS 39 (i.e., at their fair value).
The Company has opted to measure such investments at cost. The shareholdings are tested for impairment whenever there is evidence that an asset may have suffered a loss of value. Whenever there is evidence that the shareholdings in subsidiaries and affiliates have suffered sudden impairment, the impairment is recognised on the income statement. The original value is reinstated once the reasons for the write-downs have ceased to exist.

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 principle 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 significant portions of buildings, plant and machinery have to be replaced periodically, the Company recognises such portions as independent assets that have a specific useful economic life and are depreciated accordingly. Similarly, whenever a major overhaul is performed, the cost is included in the carrying amount of the plant or machinery as a replacement, if the criterion for recognition is satisfied.
All other repair and maintenance costs are recognised when incurred on the income statement.

If the buildings, plant and machinery consist of various components with different useful lives, each such component is accounted for separately.

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.

Assets held under financial or operating leases

Assets acquired under financial leasing contracts under which all the rights and benefits related to ownership of the asset are substantially transferred to the Company are recognised as assets at the lesser of their fair value or the amount of the minimum payments outstanding under the lease, including any amount payable in the year for the purchase option.
The corresponding liabilities to the lessor are represented in the financial statements among the financial liabilities.
The minimum payments outstanding under the lease are broken down into the costs of financing and repayment of the remaining debt. The costs of financing are spread among the years over the full term of the lease, in such a way as to obtain a constant interest rate on the remaining debt.
The leased assets are depreciated over their useful economic life (as indicated below) and the value recognised in the financial statements is reduced by that depreciation and any long-term impairments.
The costs of operating leases are recognised in the income statement over the full term of the lease contracts at constant rates.

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: from 3% to 20%
- Plants and equipment: from 10% to 20%
- Industrial and commercial equipment: 15.5%
- Other assets: from 12% to 20%

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.
The expenses related to self-generated goodwill and trademarks 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.

Amortisation
Amortisation of intangible fixed assets is charged to the income statement at constant rates over the useful economic life of the assets in question, except for goodwill, which is not amortised but rather subject to periodic impairment tests by the Company to check for sudden loss of value. 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: from 10% to 65.8%
- concessions, licences, trademarks and similar rights: from 16.7% to 33.3%
- concessions for wagers: on the term of concessions to be due between June 2016 and March 2022;
- other: from 20% to 66.67%

(f) Impairment of non-financial assets

The Company annually checks the carrying amounts of its own assets to identify any impairment. The Company estimates the recoverable amount of any assets that have suffered sudden impairment according to those checks.
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) 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 own financial assets at the time of their initial recognition.

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.

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

Impairment of shareholdings in other companies and available-for-sale financial assets
At the end of each reporting period, the Company checks its shareholdings in other companies for evidence of impairment. 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
The other current financial assets include current account balances on loans to subsidiaries.

(j) 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.

Amortised cost
Held-to-maturity financial assets, as well as loans and receivables, are measured at amortised cost. The amortised cost is calculated using the effective interest rate method less any provisions for long-term impairment. The calculation takes any premiums or discounts upon acquisition into account and includes any transaction costs and fee that form an integral part of the effective interest rate.

Impairment of loans and receivables
At the end of each reporting period, the Company checks each financial asset or group of financial assets for 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 recognised in the income statement.
If, in a later period, the amount of impairment is reduced for a reason that is objectively attributable to an event that occurred after the recognition of the impairment, the amount that was reduced may be reversed.

Any subsequent reinstatements of value are recognised in the income statement, with the proviso that the carrying amount of the asset must not exceed the amortised cost on the date of reinstatement.

The carrying amount of the receivable is reduced by applying an appropriate provision. Receivables subject to impairment are written off if they prove to be non-collectable.

(k) 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.

(l) 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 payables are not discounted since the effect of discounting the cash flows is immaterial.

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 entirely 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.

(m) Financial derivatives and hedge accounting

Initial recognition and subsequent valuation
The Company uses financial derivatives such as interest rate swaps to hedge its own 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 start of a hedging transaction, the Company designates and formally documents the hedge ratio to which it intends to apply hedge accounting, its own risk management objectives 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):

- If the Company holds a derivative as an economic hedge (and does not apply hedge accounting) for a period greater than 12 months after the financial reporting date, the derivative is classified as fixed (or divided into current and fixed portions) based on the underlying asset;
- Implicit derivatives which are not strictly related to the main contract are classified in line with the cash flows of the main contract.

(n) Post-employment benefits (TFR)

Post-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 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.

(o) Provisions for risks and charges

The Company recognises a provision in the balance sheet whenever it assumes a (statutory or implied) obligation resulting from a past event and it is likely to be necessary to use resources that produce the economic benefits necessary to fulfil the obligation.

If the effect is significant, the amount of the provisions is represented by the estimated present value of the future cash flows at a discount rate, including tax, that reflects the current market assessment of the present value of the money and the specific risks related to liabilities.

(p) Leasing

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 contract is re-evaluated after the initial evaluation only if one of the following conditions arises:

1. there is a change in the contractual terms and conditions, other than renewal or extension of the contract;
2. an option to renew is exercised or an extension is granted, unless the terms of renewal or the extension were not initially included in the terms of the leasing operation;
3. there is a change in the terms and conditions according to which performance depends on a specific asset;
4. there is a substantial change in the asset.

If the contract is re-examined in cases 1, 3 or 4 above, the lease will be recognised or derecognised on the date of the change of circumstances that gave rise to the re-examination. If the contract is re-examined in case 2 above, the lease will be recognised or derecognised on the date of renewal or extension.

For contracts signed before 1 January 2005, the effective date is considered to be 1 January 2005 according to the transitional provisions of IFRIC 4.

Operating lease
Instalments under an operating lease are recorded as costs in the income statement, in constant quotas allocated over the term of the agreement.

Financial lease
Financial lease contracts, which substantially transfer to the Company all the risks and benefits of ownership of the leased asset, are capitalised on the effective date of the lease at the fair value of the leased asset or present value of the payments, whichever is less. 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 income statement.

Capitalised leased assets are written down over the estimated useful economic life of the asset or the term of the lease, whichever is shorter, unless it is reasonably certain that the Company will obtain ownership at the end of the contract.

(q) Revenues and expenses

Revenue is recognised to the extent to which it probable that economic benefits will flow to the Company and the amount of those benefits can be reliably determined. 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: that 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.
Revenue from concessions related to the entertainment 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 AAMS.
Revenue from the entertainment 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 AAMS.
Revenue from remote 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. Thus, the receipts generated by accepting fixed-odds bets and “reference-based bets (or bets for which the Company bears the risk of paying out winnings) are presented in the financial statements in “Revenue

from sales of goods and services" less the costs of the flat-rate gaming tax, the contribution to the ex ASSI and the winnings and refunds paid out 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.
The 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 6 July 2012. On 1 December 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 31 January 2013 (hereinafter "former ASSI" or "MIPAAF").

(r) 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.

(s) Income tax

Income tax includes the current and deferred taxes calculated on the Company's taxable income. 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.
Taxes paid in advance and deferred taxes are set aside using the so-called "liability method" on the temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and the corresponding values recognized for tax purposes, with the exception of the temporary differences recorded at the time of the initial registration of goodwill, the differences related to investments in subsidiaries for which it is likely that in the foreseeable future, the temporary differences will not be reversed. 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.
In addition, prepaid taxes are allocated to tax losses carried forward to the extent that it is probable that there will be future taxable income to which that tax loss can be applied.
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, including on the basis of the company budget and tax policies. The carrying amount of the prepaid tax assets is reduced if it is unlikely that the corresponding tax benefit can be put to use.

(t) Assets held for sale and discontinued operations

The Company measures a non-current asset (or disposal group) that is classified as held for sale at the lower of its carrying amount or fair value less the costs of sale.
Losses in value that emerge on the basis of the initial valuation of an asset classified as held for sale are recorded in the income statement, even if such assets are reappraised/appreciated. The same treatment is applied to the profits and losses in the subsequent valuations.
A discontinued operation is a component of the Company that represents an important independent branch of activities, or geographical area of activities, or is a subsidiary acquired exclusively with a view to resale.
An operation is classified as discontinued when it is sold or becomes classifiable as "held for sale", whichever comes first. A disposal group may also fall into the category of discontinued operations.

2. Agreements for services licensed

SNAI operates on the market for the collection of gaming and betting wagers, which include mainly sports and horse racing bets, lawful gaming through AWPs (formerly known as new slots) and through VLTs (videolotteries) as well as on-line skill, bingo and casino games. That market is regulated by the State authorities by issuing concessions.

Ultimately, SNAI is the holder of the following concessions:

Owner	Qty	Subject matter	Due date
SNAI S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.	March 2022
SNAI S.p.A.	1 Concession Code 4311	Operation of public gaming based on horses, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 4028	Operation of public gaming based on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 4801	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 15215	Operation through the on-line wagers of the following games: a) sports betting; b) horse racing betting; c) horse racing and sports betting pools; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	September 2020
SNAI S.p.A.	1 Concession Code 4501*	Operation of horse racing and sports public games as per Art. 10, par. 9-octies, of the Law Decree no. 16 of 2 March 2012, converted as amended into Law no. 44 of 26 April 2012.	June 2016

* SNAI adhered to the proceeding envisaged by Law 190 of 23 December 2014 (2015 Stability Law) as regards tax regularisation of operating "CTDs" as at 30 October 2014. This resulted in the widening of the physical collection network with a certain number of additional shops, former "CTDs" that are now regularised.

As regards the aforesaid concessions on bets, to be due in June 2016, the 2016 Stability Law set out the renewal within the year through the above-mentioned modalities, described in par. 932.
Paragraph 932 sets out that on 1 May the selection proceeding would be started to award, for the next nine years, concessions for the wagers of sports bets and horse racing bets (the relevant concessions are expiring on 30 June 2016 and the law sets out that they will continue to operate - through technical extension - until signature of the new conventions), for a total amount of 15,000 rights, divided as follows:

- 10,000 special gaming shops (tender base of Euro 32,000);
- 5,000 gaming corners, of which 1,000 max in shops selling food and drinks (tender base of Euro 18,000).

It should be also recalled that some concessions set out that concession holders should maintain “equity soundness requirements” to prove the fulfilment of some capital ratios which, if unfulfilled over a prolonged period of time, would theoretically result in a procedure related to the expiration or revocation of concessions themselves. In 2015, ADM started a monitoring process on SNAI concerning the non-fulfilment of these capital ratios. Supported by (i) the fact that as at 31 December 2015 the ratio deemed as the most important (net indebtedness/shareholders’ equity ratio) was fulfilled, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is unlikely (iii) the written confirmation by ADM that the proceeding started is only for monitoring purposes, the Directors believe that there are no risks resulting from the unfulfillment of the capital ratios that might affect the maintenance or renewal of concessions.

Notes to the main items of the comprehensive income statement

It is worth noting that, on 24 November 2014, the merger deed was signed envisaging the incorporation into SNAI S.p.A. of the entirely controlled companies Festa S.r.l. and Immobiliare Valcarenga S.r.l., in application of the resolution on merger made by the competent bodies on 28 and 31 July 2014. The resolution was made available to the public together with the Merger Plan and the related Directors' Report. The merger is effective as from 1 January 2015 for both tax and accounting purposes.
The comparison between values, always expressed in thousands of euros, unless otherwise indicated, is based on the corresponding balances of year 2014.

3. Revenues from sales and services

The amount of revenues from sales of goods and services in year 2015 amounts to Euro 497,366 thousand, compared to Euro 510,484 thousand in 2014, and is detailed below:

thousands of Euro	Year 2015	Year 2014	Change
Net revenues from the collection of fixed quota and reference sports and horse race bets	100,050	130,401	(30,351)
Revenues from totalisator, national horse racing/sports forecast bets	17,292	20,507	(3,215)
Revenues from Gaming Machines	308,317	278,475	29,842
Net revenues from on-line games (Skill/Casino/Bingo)	18,793	19,841	(1,048)
Net revenues from virtual events	35,818	44,222	(8,404)
Bet collection services	4,672	3,972	700
Revenues from virtual event services	3,051	2,856	195
Revenues from commissions	3,169	3,662	(493)
Revenues from service and assistance contracts	4,627	5,028	(401)
Revenue from horseracing business rental	160	160	0
Other revenue from services and chargebacks	1,417	1,360	57
Total	497,366	510,484	(13,118)

Set forth below are details on the item “Net revenues from the collection of fixed-odds and reference sports and horse racing betting”, indicating items stating winnings, refunds/reimbursements and taxes.

thousands of Euro	Year 2015	Year 2014
Revenue from sports betting	735,615	752,975
Sports reimbursements	(630)	(544)
Sports winnings	(608,397)	(594,805)
Flat-rate tax on sports bets	(28,247)	(29,984)
Net revenue from sports betting	98,341	127,642
Revenue from horseracing bets	28,839	27,392
Horserace reimbursements	(166)	(205)
Horserace winnings	(23,400)	(21,007)
Flat-rate tax on horseracing bets	(1,172)	(1,125)
Cost of horseracing contribution	(2,392)	(2,296)
Net revenue from horseracing bets	1,709	2,759
Total net revenues from fixed-odds and reference betting	100,050	130,401

Net revenues from sports betting decreased, compared to amounts reported in the previous year, due to higher payout and lower wagers in the gaming machines segment, also according to a certain number of gaming points that were closed, given the financial position of the management company. In 2015, the payout on sports betting, including the amounts recognised as bonuses, amounted to approximately 82.5% compared to 79% in the previous year.

Revenues from totalisator, national horse racing and sports forecast bets decreased due to the continued crisis in the horse racing sector.

Revenue from concessions for the management of the network of entertainment machines (ADI) amounted to a total of Euro 308,317 thousand in 2015, which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item “Costs of third-party services and leasing/rental expenses” in Note 6. It should be recalled that the concession holders are required to pay to ADM (pursuant to the Law Decree no. 95 of 6 July 2012. Since 1 December 2012, the Customs incorporated the ADM office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency), an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The balance sheet shows a receivable of Euro 15,223 paid for the “Entertainment machine guarantee deposit” in 2015 (see Note 19).
The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. The Company received formal notice by ADM that, based on the checks performed, the service levels achieved in the current period are sufficient to allow the guarantee deposit to be refunded.

Revenues from on-line gaming, equal to Euro 18,793 thousand are broken down as follows:

thousands of Euro	Year 2015	Year 2014
Remote gaming revenue	718,650	737,903
Remote gaming winnings	(694,085)	(711,866)
Flat-rate tax on remote gaming	(5,772)	(6,196)
Total net revenue from remote gaming (Skill/Casino/Bingo)	18,793	19,841

Revenues from virtual events, equal to Euro 35,818 thousand, are broken down in the following table:

thousands of Euro	Year 2015	Year 2014
Revenues from virtual events	265,111	342,220
Winnings and reimbursements of virtual events	(220,210)	(286,901)
Flat-rate tax on virtual events	(9,083)	(11,097)
Total net revenues from virtual events	35,818	44,222

4. Other revenue and income

The other revenue and income item, equal to Euro 32,838 thousand in 2015 (Euro 2,479 in 2014) breaks down as follows:

thousands of Euro	Year 2015	Year 2014	Change
Revenues from services and chargebacks to Group companies	663	643	20
Lease of assets and chargeback of ancillary expense	514	473	41
Active trading	30,890	59	30,831
Revenue from compensation and reimbursement for damages	25	89	(64)
Gains on disposal of assets	26	110	(84)
Revenues from organisation and technology sales	238	655	(417)
Other revenue and income	482	450	32
Total	32,838	2,479	30,359

Active trading, equal to Euro 30,890 thousand, is mainly attributable, in the amount of Euro 27,457 thousand, to the transaction concluded on 19 February 2015 between SNAI, on the one side, Barcrest Group Limited and The Global Draw Limited on the other side, and their parent company Scientific Games Corporation, to settle a number of pending issues, which arose between the parties for the well-known events occurred in April 2012. SNAI waived the actions in the Roman case that, at the same date, following the joint request submitted by the parties, was declared cancelled, with legal expenses offset, and reached an agreement with the above companies on pending cases and the payment of damages and costs already borne, including some guarantees on the cases themselves.

The item “rental of assets” includes the rental payments and additional expenses mainly charged back to the Group companies.
For more information about intercompany services, please see Note 31 “Related Parties”.

5. Raw materials and consumables

The cost of raw materials and consumables amounted to a total of Euro 272 thousand in 2015 (Euro 712 thousand in 2014), mainly related to materials used in bet collection, technology and the furnishings installed in the new points of sales.

6. Costs for services and use of third party assets

Costs of third-party services and leasing/rental expenses amounted to a total of Euro 361,659 thousand in 2015 (Euro 355,548 thousand), as broken down below:

thousands of Euro	Year 2015	Year 2014	Change
Betting acceptance management	61,184	71,722	(10,538)
Gaming Machine services	234,988	205,905	29,083
On-line games management (Skill/Casino/Bingo)	4,651	4,782	(131)
Remote virtual race management	14,927	20,989	(6,062)
Bookmakers	1,800	1,852	(52)
Information to prepare odds and posters	766	481	285
On-line gaming services	5,339	8,205	(2,866)
Consultancy cost and expense reimbursements	5,859	3,327	2,532
Utilities and telephone	6,202	6,366	(164)
Equipment repair and maintenance	6,957	7,063	(106)
Advertising and promotion	3,926	5,530	(1,604)
IT services	297	122	175
Installations, logistics and design	1,040	1,365	(325)
Personnel costs for collaborations and other	249	365	(116)
Insurance and guarantees	1,206	1,218	(12)
Market research	151	518	(367)
Festa help desk and call centre	-	2,722	(2,722)
TV and radios services	5,815	6,486	(671)
Services from Group companies	290	498	(208)
Other services	1,860	2,020	(160)
Directors’ fees	1,474	1,493	(19)
Statutory Auditors’ fees	170	176	(6)
Reimbursements to directors and auditors	31	34	(3)
Compensation to audit company	530	499	31
Compensation to supervisory board and other boards	120	124	(4)
Lease fees and ancillary charges	822	796	26
Operating leases and other leasing	1,005	890	115
Total	361,659	355,548	6,111

In particular, the table shows:

- the betting sports and horse race betting collection service fees granted to the managers of horse race and sports stores and betting corners decreased from Euro 71,722 thousand in 2014 to Euro 61,184 thousand in 2015. This decrease results from a lower collection on sports and horseracing bets in the physical network, for the reasons indicated in the previous Note 3;
- costs for ADI services (for a total of Euro 234,988 thousand compared to Euro 205,905 thousand in 2014) and include the collection fees paid to third parties and the costs for the VLT platforms;
- virtual events management costs (Euro 14,927 thousand compared to Euro 20,989 thousand in 2014), including costs related to both operator and platform. The decrease is due to lower wagers.

The “Other” item mainly includes: running costs of company vehicles, IT services, costs related to the no-competition agreement, surveillance and security services for the transportation of money and valuables, cleaning services, postal and shipping expenses and waste disposal**.**

7. Costs of personnel

Costs of personnel amounted to a total of Euro 30,324 thousand in 2015 over Euro 26,572 thousand in 2014, and are primarily due to:

thousands of Euro	Year 2015	Year 2014	Change
Salaries and wages	18,771	18,478	293
Social security charges	5,974	5,621	353
Accrual to defined-benefit/defined-contribution plans	1,308	1,131	177
Reimbursement of expenses and transfers	551	567	(16)
Costs for personnel training	51	128	(77)
Meal tickets	655	557	98
Gifts to employees	12	22	(10)
Other costs of personnel	3,002	68	2,934
Total costs of personnel	30,324	26,572	3,752

The increase in item “Other costs of personnel” is mainly due to transactions with some managers.

The item “Accrual to defined-benefit/defined-contribution plans” also includes the impact on the income statement resulting from the valuation of the post-employment benefits in accordance with IAS 19.

The composition of the employees as at 31 December 2015 is illustrated by the following table, which shows an increase of 38 individuals compared to 31 December 2014, mainly due to the merger with the company Festa S.r.l.

	31.12.2014		Accruals for the period, from merger	Accruals for the period	Disbursements for the period	31.12.2015		Average no. in period
Executives	24		-	2	4	22		23
Office workers and middle managers	443		58	25	45	481		504
Blue-collar workers	6		2	-	-	8		8
Total Employees	473	*	60	27	49	511	**	535

* of whom 60 part-time and 20 on maternity leave
** of whom 77 part-time and 7 on maternity leave

8. Other operating costs

Other operating costs amounted to a total of Euro 44,399 thousand in year 2015 (Euro 39,511 in year 2014).

thousands of Euro	Year 2015	Year 2014	Change
Concessions and licenses	14,861	14,790	71
Administration fines	81	388	(307)
Stability Law cost	5,993	-	5,993
Other taxes and duties	423	517	(94)
Flat-rate municipal tax [I.M.U.]	1,061	1,046	15
% non-deductible VAT	3,777	5,488	(1,711)
Entertainment expenses	65	102	(37)
Subscription fees	134	214	(80)
Provision for doubtful debts	10,266	15,544	(5,278)
Credit losses	1,603	1,609	(6)
Release of provision for technological upgrading	(686)	(2,591)	1,905
Provision for risks	422	448	(26)
Stationery, consumables and promotional materials	206	269	(63)
Ordinary purchases of goods and services	5,340	166	5,174
Capital losses from sale of assets	487	1,189	(702)
Other administration and operating costs	366	332	34
Total	44,399	39,511	4,888

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on gaming machines of Euro 9,133 thousand, calculated at 0.30% of the volume wagered and paid to ADM on a bimonthly basis;
- the concession fee for the marketing of public gaming concessions on the rights awarded through the call for tenders in 2006 ("Bersani rights") and the rights awarded through the call for tenders in 2008 ("Giorgetti rights"), and the rights awarded through the call for tenders in 2012 ("Monti rights"), in the amount of Euro 4,908 thousand;
- the concession fee for remote public gaming, in the amount of Euro 600 thousand.

The item Costs for Stability Law, amounting to Euro 5,993 thousand, is related to costs, pertaining to SNAI for the year 2015, as envisaged by the Stability Law, approved by the Parliament at the end of December 2014, which, amongst other, outlined that the total amount of Euro 500 million be charged to the distribution segment of gaming machines (both AWP and VLT). This amount is apportioned according to the number of machines referable to each single concession holder, as quantified by the Directorial Decree no. 4076/2015 issued by ADM on 15 January 2015. Based on this decree, the amount related to the distribution segment for gaming machines related to SNAI was equal to Euro 37,792 thousand. The most relevant portion of this amount, around Euro 31.8 million, was charged to the distribution segment (for further detail see Notes 18, 19 and 27).

Losses are attributable, in the amount of Euro 900 thousand, to the termination of the contract with the CEO in office until 13 July 2015, in the amount of around Euro 4 million of the Barcrest event and the remaining portion of various transactions with customers and suppliers.

In 2015, a provision for doubtful debts was recognised in the amount of Euro 10,266 thousand in accordance with the best estimates of recoverability of receivables in previous fiscal years pertaining to the company's typical operations that have proven increasingly difficult to collect in the course of business.

During 2015, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 422 thousand, as provided for by the concession agreement for the building and running of networks for the on-line management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions. Furthermore, the provision for technological upgrading, allocated as required by the previous concession, was released as authorized by the Agenzia delle Dogane e dei Monopoli, in the amount of Euro 686 thousand.

The item “% non-deductible VAT”, equal to Euro 3,777 thousand, is due to the various types of activities carried out by the Company that generate revenues that are subject to VAT in some cases and exempt from VAT in others, with a resulting impact on the non-deductibility of the VAT on purchases. The Company has opted for separate activity for VAT purposes, which means that, for purchases related to activities that generate taxable transactions, the VAT is deductible, while the VAT on purchases that generate exempt transactions it is entirely non-deductible. As regards the VAT on goods and services used promiscuously by all of the business operations, the VAT is deducted subject to the limits of the portion attributable to the operations which produce taxable revenues to which it refers; therefore, the cost of non-deductible VAT has been calculated using specific allocation criteria.

9. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 1,392 thousand in 2015 (Euro 1,539 thousand in 2014) are essentially related to software generated internally for:

- IT systems and networking solutions supporting the Business lines;
- centralized systems and peripheral terminals for the acceptance of bets, the sale of services, the distribution of information to Operators, the display of information, the management of both the sales point and gaming machines (AWPs and VLTs).
- centralized systems for the management of contacts with ADM for all product lines under concession;
- management systems and consoles for betting and risks on sales;
- centralized systems, gaming interfaces and integration protocols for on-line wagers.
- management systems and consoles for back-office activities.

10. Amortisation, depreciation and write-downs

These amount to a total of Euro 53,727 thousand for 2015 (Euro 56,912 thousand in 2014), as detailed below:

thousands of Euro	Year 2015	Year 2014	Change
Amortisation of intangible fixed assets	37,994	40,981	(2,987)
Depreciation of property plant and equipment	15,059	15,813	(754)
Write-downs	674	118	556
Total	53,727	56,912	(3,185)

Further information regarding the above is provided in the Notes 13 and 14, “Property, plant and equipment” and “Intangible assets”.

11. Financial income and expenses

Net financial expenses for 2015 amounted to Euro 72,634 thousand, down by Euro 11,656 thousand over 2014, as detailed below:

thousands of Euro	Year 2015	Year 2014	Change
Expenses from shareholdings:	15,377	3,049	12,328
Write-down of shareholding in the company Trenno	1,802	2,971	(1,169)
Write-down/Losses related to SNAI Rete Italia shares	10,024	-	10,024
Write-down/Losses related to Finscom shares	3,551	-	3,551
Other write-downs	-	78	(78)
Other Financial income:	2,889	2,273	616
Gains on foreign exchange	2	-	2
Bank interest income	978	1,487	(509)
Interest income on loans	1,009	-	1,009
Interest income from subsidiaries	713	542	171
Misc. interest income	187	244	(57)
Financial expenses	60,146	60,202	(56)
Interest expense on bond loan	51,608	49,650	1,958
Interest expenses to subsidiaries	443	171	272
Interest expense and ancillary charges on leasing	192	2,713	(2,521)
Other interest expense	340	297	43
Exchange rate losses	7	3	4
Loan charges from discounting liabilities	26	48	(22)
Other financial expenses	7,530	7,320	210
Total financial income and expenses	(72,634)	(60,978)	(11,656)

The increase is mainly due to expenses resulting from shareholdings. For further details, reference is made to Note 15.

Item financial income highlights interest income with respect to subsidiaries, amounting to Euro 1,009 thousand, accrued on the loan supplies by the subsidiary Cogemat (for further details reference is made to Note 20) and interest income accrued on bank current accounts, in the amount of Euro 978 thousand, as well as other interest income, totalling Euro 187 thousand and mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses include the following:

- expenses calculated in accordance with the depreciated cost method under IAS 39 by applying the effective interest rate on loans amounting to Euro 51,608 thousand of which Euro 3,701 thousand can be attributed to ancillary costs. These charges are related, in the amount of Euro 3,366, to bond loans issued on 8 November 2013 (fully repaid on 5 May 2015) and on 4 December 2013, for an aggregate amount of Euro 480,000 thousand, and, in the amount of Euro 335 thousand, to the bond loan issued on 28 July 2015, for an aggregate amount of Euro 110 thousand (for further details on bond loans, reference is made to Note 25);

- interest expense calculated on financial leasing in the amount of Euro 112 thousand and ancillary charges on leasing for Euro 80 thousand, including non-deductible VAT;

- other financial expenses, including Euro 2,930 thousand for the release of the portion pertaining of the cash flow hedge reserve related to hedge derivatives existing in 2013, Euro 2,388 thousand of commissions on bank guarantees, Euro 608 thousand of commissions payable on revolving credit line and Euro 1,122 thousand of bank charges.

12. Income tax

Current income taxes show a negative balance of Euro 7,865 thousand.

thousands of Euro	Year 2015	Year 2014
IRES	857	-
IRAP	2,109	2,456
Tax on prior years	29	-
Deferred tax liabilities	4,630	5,171
Deferred tax assets	(5,270)	(7,339)
Use of deferred tax provision	(6,535)	(261)
Reversal of deferred tax assets	12,045	1,946
Total	7,865	1,973

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the financial statements and the theoretical tax charge (in thousands of Euro):

		Year 2015		Year 2014
Profit before tax		(40,137)		(25,916)
Theoretical IRES tax charge	*27.50%*	11,038	*27.50%*	7,127
Theoretical IRAP tax charge	*5.12%*	2,055	*5.12%*	1,327
Total Theoretical tax charge		**13,093**		**8,454**
Fines, penalties and other taxes		(313)		(337)
Write-down of shareholdings		(4,229)		(838)
Other permanent non-deductible costs		(9,757)		(4,430)
Effect of change in IRES rate		(3,216)		-
Other permanent deductions		1,088		197
		(3,334)		3,046
Permanent differences in IRAP (including employees)		(4,502)		(5,019)
		(7,836)		(1,973)
Tax and duties for prior year		(29)		-
Actual tax charge	***19.6%***	**(7,865)**	***7.6%***	**(1,973)**

For further details on the effects deriving from the tax burden and the tax consolidation regime, reference is made to Note 16 “Deferred tax assets and deferred tax liabilities” of these explanatory notes.
The last year finalised for tax purposes was the year 2010.

Reference is made to paragraph 26 for further details on tax disputes.

Notes to the main items of the balance sheet

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as at 31 December 2014.

13. Property, plant and equipment

Property, plant and equipment as at 31 December 2015 amounted to Euro 131,011 thousand (Euro 137,366 thousand). Changes over the period are disclosed in the following table.

thousands of Euro	Land and buildings	Plant and equipment	Other assets	Assets under construction and advances	Total
Cost					
Balance as at 31 December 2014	139,219	134,508	20,410	789	294,926
Acquisitions from merger	2,306	994	247		3,547
Reclassification	109	548	117	(789)	(15)
Other increases	4,028	3,638	416		8,082
Decreases		(5,026)	(1,302)		(6,328)
Balance as at 31 December 2015	145,662	134,662	19,888	-	300,212
Depreciation and impairment losses					
Balance as at 31 December 2014	36,020	109,002	12,538	-	157,560
Acquisitions from merger	632	836	232		1,700
Annual depreciation	3,121	9,754	2,184		15,059
Write-downs		474	200		674
Disposals		(4,764)	(1,028)		(5,792)
Balance as at 31 December 2015	39,773	115,302	14,126	-	169,201
Carrying amounts					
As at 31 December 2014	103,199	25,506	7,872	789	137,366
Balance as at 31 December 2015	105,889	19,360	5,762	-	131,011

Increases resulting from mergers are related to effects of mergers of subsidiaries Festa S.r.l. and Immobiliare Valcarenga S.r.l., as already recalled in Note 1.

"Plant and equipment" includes electricity, water, fire prevention and air conditioning systems, as well as work carried out for the compliance thereof to safety regulations, electronic machinery, and technology for connection to the network of the central systems.

The increases as at 31 December 2015, in the amount of Euro 8,082 thousand, mainly related to:

- the Land and Buildings item, in the amount of Euro 4,028 thousand, as follows: Euro 3,056 thousand the new racetrack of Milan (Ippodromo della Maura), Euro 944 thousand primarily related to consolidation and improvement to the structures at the Ippodromo del Galoppo [Milan gallop racetrack], Euro 15 thousand for remediation interventions on land in the Milan area, Euro 13 thousand related to works on the building of the registered office;
- "Plant and equipment", in the amount of Euro 3,638 thousand, related for Euro 1,268 thousand to technology loaned free of charge to the sales points, for Euro 956 thousand to electro-thermal and electric plant (of which Euro 849 thousand for the new Racetrack in Milan - Ippodromo della Maura), for Euro 326 thousand to hardware and interconnection network for the sales points and for Euro 1,088 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and other plant and equipment necessary for the performance of the various business operations of the Company;
- "Other assets", in the amount of Euro 416 thousand, related for Euro 255 thousand to furnishing and fittings provided free of charge to sales points and betting shops managed directly by the Company, for Euro 72 thousand to head office furnishings and fittings (of which Euro 10 thousand for the statue at the entrance of the new

racetrack in Milan), for Euro 76 thousand to motor vehicles and other assets and for Euro 13 thousand to sundry assets.

The Financial expenses under "property plant and equipment" were not capitalised because the Company has no qualifying activities as defined by IAS 23.

Leasing
The Company has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various points up to 30 April 2018. These agreements include redemption and/or extension clauses.
The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a historic cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an amortisation provision, as at 31 December 2015, of Euro 1,076 thousand.

The following table shows the minimum future instalments of the financial leasing contracts:

thousands of Euro	
Total commitment as at 31.12.2015	432
of which	
Payments falling due within 12 months	392
Payments falling due between 1 to 5 years	40
Payments falling due after 5 years	-
Redemption	700

The remaining instalments due for operating leases do not present significant amounts.

14. Intangible assets

Intangible assets as at 31 December 2015 amounted to Euro 300,463 thousand (Euro 333,743 thousand). Changes over the period are disclosed in the following table.

thousands of Euro	Goodwill	Concessions, licenses, trademarks and similar rights	Industrial patent rights and use of intellectual property	Assets under construction and advances	Other	Total
Cost						
Balance as at 31 December 2014	254,246	256,707	16,100	349	17,918	545,320
Acquisitions from merger		133	37	26	140	336
Reclassification		196		(207)	26	15
Other increases		1,010	509	172	3,000	4,691
Decreases		(34)			(279)	(313)
Balance as at 31 December 2015	254,246	258,012	16,646	340	20,805	550,049
Amortisation and impairment losses						
Balance as at 31 December 2014	23,158	164,271	12,666	-	11,482	211,577
Acquisitions from merger		133	37		131	301
Annual amortisation		33,749	1,267		2,978	37,994
Write-downs						-
Disposals		(32)			(254)	(286)
Balance as at 31 December 2015	23,158	198,121	13,970	-	14,337	249,586
Carrying amounts						
As at 31 December 2014	231,088	92,436	3,434	349	6,436	333,743
Balance as at 31 December 2015	231,088	59,891	2,676	340	6,468	300,463

Increases resulting from mergers are related to effects of mergers of subsidiaries Festa S.r.l. and Immobiliare Valcarenga S.r.l., as already recalled in Note 1.
Investments of Euro 4,691 thousand mainly concern:

- "Concessions, licences, trademarks and similar rights", amounting to Euro 1,010 thousand, related to the issue of gaming machine (AWPs) authorisation;
- “Industrial patents rights and use of intellectual property”, amounting to Euro 509 thousand, of which Euro 175 thousand for CRM licenses, games management and reporting, Euro 150 thousand for licenses related to virtual games, Euro 121 thousand for licences related to the management of the SNAI portal, Euro 55 thousand for software related to the management of automated testing of the systems produced by SNAI and Euro 8 thousand for in-house uses;
- “Other”, for Euro 3,000 thousand, of which Euro 1,392 thousand for in-house developed software, Euro 71 thousand for the management of games and betting, Euro 816 thousand for AWP game cards to update the gaming machines, Euro 363 thousand for the implementation of SNAI.IT portal, Euro 35 thousand related to operating programmes for administration, finance and control, Euro 321 thousand for other management and gaming programmes and Euro 2 thousand for the new functions of the Comsy system;
- “Assets in progress and advances”, amounting to Euro 172 thousand, of which: Euro 160 thousand of development costs related to the former Trotto area, and Euro 12 thousand for the issuing of the gaming machine (AWPs) authorisation.

The Financial expenses under “intangible fixed assets” were not capitalised because the Company has no qualifying activities as defined by IAS 23.

Goodwill amounts to Euro 231,088 thousand, and is allocated to the following cash generating units (CGU):

- Euro 219,951 thousand to the “Concessions” GCU, of which Euro 219,241 thousand generated through acquisition of the concessions business units as from 16 March 2006 and Euro 710 thousand generated by the business combination for the acquisition of the shareholding in Agenzia Ippica Monteverde S.r.l. (now merged into SNAI S.p.A.). This CGU is represented by the business related to the horse racing and sports betting concessions, to the concession for the management and operation of the network for the on-line management of legal gaming machines and the related assets and functions (slot machines - AWP and video-lottery - VLT) and activities related to skill, bingo and casino games;
- Euro 11,137 thousand to the Betting Services CGU, provided by SNAI Services Spazio Gioco S.r.l., incorporated into SNAI S.p.A. in 2002, consisting of activities related to telematic services provided a bet acceptance points.

In accordance with international accounting standards, and in particular by IAS 36, goodwill is subjected to impairment testing on an annual basis, or more frequently in the presence of indication of possible permanent losses in value. If the test shows a loss of value, SNAI is required to recognise a write-down in the financial statements.

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 type of 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 to check the carrying amount of goodwill were applied to the Services CGU and Concessions CGU.

Cash flows for the year 2106 of the “Services” CGU and the “Concessions” CGU have been prepared on the basis of the assumptions/forecasts set forth in the 2016-2019 plan included in the Guidelines approved by SNAI S.p.A.’s Board of Directors on 21 April 2016. For 2017-2020 years, estimates were already made based on an inertial reduction in growth on wagers and related margin, with a substantially unchanged structure of fixed costs. 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 (2020), to which an annual growth rate (“g”) of 0.5% was applied. The terminal value 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 8.83%.

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 check 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 “Concessions” CGU, compared to the carrying amount (including the goodwill attributed to it), equal to Euro 334.9 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 3.2 percentage points in the annual payout related to the value assumed in the budget and other estimated hypotheses; (ii) increase of 9.8 percentage points of the annual discount rate; (iii) a final rate of negative nominal growth of 9.5%; iv) a reduction in EBITDA used as a reference of 31% yoy. It should be noted that the surplus of value will remain positive even if it is assumed, at equal conditions, that the nine-year concessions will not be renewed after 2025.

In relation to the “Services” CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 40.4 million, becomes nil with an 18 % increase in the discount rate. No change assumptions have been made in the basic assumptions underlying the cash flows, since the latter have not undergone any significant changes and are still in line with forecasts and they are based on well-established contractual relationships.

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. Conversely, as regards impairment losses recognised on shareholdings in Finscom Srl and SNAI Rete Italia Srl, reference is made to the following Note 15.

15. Shareholdings

The Company holds shares in the companies as specified in Annexes 1, 2 and 3 to these Explanatory Notes. For the information required by DEM Notification 6064293 of 28 July 2006, please see Annex 1 to the consolidated financial statements presented together with these notes.

On 24 November 2014, the merger deed was signed envisaging the incorporation into SNAI S.p.A. of the entirely controlled companies Festa S.r.l. and Immobiliare Valcarenga S.r.l., in application of the resolution on merger made by the competent bodies on 28 and 31 July 2014. The resolution was made available to the public together with the Merger Plan and the related Directors' Report. The merger was effective on 1 January 2015, after registration of the deed in the competent Company's Registers. Also accounting and tax effects became effective on that date.

On 18 December 2014, the “winding-up and liquidation" deed of the company SNAI Olè s.a. was signed before the Notary Joaquin Vincente Calvo Saavedra. The deed was recorded in the Trade Register in view of the following write-off of the company. The company was written off from the Trade Register on 25 February 2015.

On 4 February 2015, the shareholders’ meeting of Connext S.r.l. resolved to wind up the company.

On 3 April 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10 thousand, also aimed at the acquisition of shareholdings in companies managing sales points for betting and sports forecast bets, wagers through various types of gaming machines, as well as the related to duly authorised instrumental activities, as well as the direct management of sales points.

On 1 April 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l., in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on 8 April 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom. Following the waive by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09. At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of

52.97% and 47.03%, respectively.

On 10 July 2015, the investment agreement was signed between SNAI, OI Games S.A., OI Games 2 S.A. e International Entertainment S.A. (50% shareholder of OI Games 2 S.A., equally with OI Games S.A.) for the merger of assets of the Cogemat/Cogetech Group with assets of the SNAI Group. On 19 September 2015, the transaction was concluded with the acquisition by SNAI of 100% of the share capital of Cogemat S.p.A. through the capital, which is instrumental to the transfer of the capital of the latter.

All the shareholdings are valued at cost. The Company has carried out an analysis to identify any impairment indicators and/or impairment loss in subsidiaries or any disappearance of the reasons that gave rise to a write-down of the investments in previous years. In cases where the impairment analyses revealed a loss of value, the carrying amount was written down to the corresponding recoverable amount. The Company has made provisions for the losses in value occurring up to the year 2015.

The impairment tests on the carrying amount of the shareholding concerned the subsidiaries Cogemat S.p.A., Teleippica S.r.l, Snai Rete Italia S.r.l. and Finscom S.r.l.

For the Cogemat S.p.A. company, the recoverable value was determined starting from projections of cash flows based on the updating of the last Business Plan approved by the Board of Directors and developed over a five-year period (2015-2019). This plan was updated based on (i) 2015 results, (ii) the new 2016 budget, (iii) novelties introduced by the 2016 Stability Law and (iv) the new structure resulting from the merger into SNAI Group. For the purposes of calculating the residual value, a normalised cash flow was extrapolated.
These projections were based on reasonable and sustainable assumptions, able to represent the best estimate that the Board could make on a series of financial conditions that will exist along the remaining useful life of the asset. For the purposes of estimates on expected cash flows over the period related to the plan, a 0.5% growth rate was used, while the WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 8.83%. According to impairment tests performed, no impairment loss was reported that requires an amendment of accounting amounts. The sensitivity analysis carried out confirms that results of impairment testing is consistent and there is no impairment loss as at 31 December 2015.
Cash flows for the year 2016 of the subsidiary Teleippica S.r.l. were prepared on the basis of the assumptions/forecasts set forth in the 2016 budget. For subsequent 2017-2020 years, an improvement of cash flows was assumed with respect to provisions set out in the 2016 budget, due to less investments. 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.
The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 8.8% (around 0.5% higher than the values used in the prior year).
The analyses performed showed that the amount recoverable from the cash-generating units is higher than the carrying amount.
As regards the subsidiary Finscom S.r.l., cash flows inferred from the 2016 and 2016-2019 industrial plan were used. 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. The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 11.5%, also due to the reduced size of the company.
According to impairment testing performed, a deviation was reported between equity value and the value of shareholding recognised in the financial statements, with related adjustment of the latter and reporting of loss on shares of Euro 3,551 thousand.
As regards the subsidiary Snai Rete Italia S.r.l., cash flows inferred from the 2016 and 2016-2019 industrial plan were used. 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. The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 10.3%, also due to the reduced size of the company.
According to impairment testing performed, a deviation was reported between equity value and the value of shareholding recognised in the financial statements, with related adjustment of the latter and reporting of loss on shares of Euro 10,024 thousand.

16. Deferred tax assets and deferred tax liabilities

The following tables show the temporary differences and tax loss that can be carried forward, together with the corresponding theoretical amount of prepaid and deferred taxes, as well as the amounts recognised in the financial statements.
The table shows that the Company posts deferred tax assets and deferred tax liabilities equal to the net value of deferred taxes assets of Euro 15,407 thousand (net value of deferred taxes liabilities as at 31 December 2014: Euro 20,479 thousand).
On a preliminary basis, it is worth noting that the 2016 Stability Law has set out a reduction of the IRES rate from 27.50% to 24.00%, with effect on the taxable period after the current one as at 31 December 2016. Due to the above change, the Company calculated deferred tax assets and liabilities by applying the IRES tax rate of 24%, except for temporary differences which will be absorbed during 2016 and for which the IRES tax rate of 27.5%, currently in force, was maintained.

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for doubtful debts	56,350	27.50%-24.00%	13,761	13,761	2016 and following
Provision for risks	18,695	27.50%-24.00%-32.62%-29.62%	5,592	5,592	2016 and following
Provision for inventory depreciation	10	27.50%-24.00%	2	2	2016 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	2,014	27.50%-24.00%-32.62%-29.62%	559	559	2016 and following
Interest expense not deducted as per art. 96 of Tuir	115,326	24.00%	27,678	17,274	2017 and following
Other temporary differences	651	27.50%-24.00%	172	172	2016 and following
Total	193,046		47,764	37,360	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Advances posted	Usable before
Year 2008	17,895	24.00%	4,295	4,295	eligible for being carried forward indefinitely
Year 2009	10,200	24.00%	2,448	2,448	eligible for being carried forward indefinitely
Year 2010	29,060	24.00%	6,974	6,974	eligible for being carried forward indefinitely
Year 2011	27,186	24.00%	6,525	6,525	eligible for being carried forward indefinitely
Year 2012	34,422	24.00%	8,261	8,261	eligible for being carried forward indefinitely
Year 2013	75,454	24.00%	18,109	2,989	eligible for being carried forward indefinitely
Year 2014	12,587	24.00%	3,021	3,021	eligible for being carried forward indefinitely
Year 2015	3,874	24.00%	930	0	eligible for being carried forward indefinitely
Total	210,678		50,563	34,513	

Total Deferred tax assets				**71,873**	

The changes in deferred tax assets:

thousands of Euro	31.12.2014	Acquisitions from merger	31.12.2014 restated	Provisions	Uses	31.12.2015
Deferred tax assets	78,408	128	78,536	6,745	(13,408)	71,873

As at 31 December 2015, the Directors of SNAI S.p.A. confirmed the assessment of recoverability of the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss resulting from the national tax consolidation scheme, except for what has been

specified.
The above-mentioned recoverability is based on the predictions of future positive results in the business plans.
It should be noted that, in the year, no deferred tax assets were recognised resulting from tax consolidation, against a recordable gain of Euro 930 thousand.
It should be also noted that, on the tax loss resulting from tax consolidation for 2013, recognised deferred tax assets amounted to Euro 2,989 thousand against recordable benefits of Euro 18,109 thousand. In fact, regardless of the fact that the Inland Revenue Office accepted the request filed by the Parent Company on the deductibility, for IRES tax purposes, of amounts paid to settle the dispute with ADM at the Court of Auditors, equal to Euro 63,000 thousand, the Company's Directors deemed advisable not to record this amount as deferred tax assets.
That having been said, the total receivables on tax losses, resulting from the tax consolidation, amounted to Euro 50,563 thousand, while the tax benefit on off-balance sheet prior losses amounted to Euro 16,050 thousand.
It should be noted that, as regards retained interest expense as per Art. 96 of the Presidential Decree 917/1986, accrued in 2014, deferred tax assets, equal to Euro 2,363 thousand, were recognised, against benefits amounting to Euro 5,941 thousand. No deferred tax assets were recognised on retained interest expense accrued during the year under evaluation, against benefits amounting to Euro 6,825 thousand.
With reference to deferred tax assets, the "difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets", of Euro 2,014 thousand with tax effect of Euro 559 thousand, relates mainly to impairment losses of property, plant and equipment occurred in the year (Euro 674 thousand with tax effect of Euro 210 thousand).

It should be noted that, on 30 September 2015 and for the 2015-2017 period, the adhesion option to the tax consolidation, to be exercised in the 2015 Revenue form, was renewed as per articles 117 and following of the Presidential Decree 917/1986 between the consolidating company Snai S.p.A. and the consolidated company Teleippica S.r.l. At the same time, the option to adhere to the tax consolidation between Snai S.p.A. and the newly established subsidiary Snai Rete Italia S.r.l. was exercised for the same period.
It should be also recalled that for the 2013-2015 period, the option to the tax consolidation is currently in force, as per articles 177 and following of the Presidential Decree 917/1986, between the consolidating company Snai S.p.A. and the consolidated company Società Trenno S.r.l.
It should be noted that the adoption of consolidated taxation may have some beneficial effects on the Group's tax burden, including the possibility of immediate full or partial application of tax losses for the period incurred by the companies participating in the consolidation scheme to reduce the income reported by the other consolidated companies and to recover the excess interest expense not deducted by the consolidated companies due to the excess of Gross operating income (GOI) of the other companies participating in the consolidation scope.
SNAI S.p.A., as the consolidating entity, is required to make an advance payment on account for the balance of the corporate income tax [IRES] based on the consolidated income statement.
Under the existing agreements, the income tax on the taxable income transferred to the consolidating entity is then paid by set-off against the credit balance created by the early payments, amounts deducted at source, deductions of tax or transfers for any other reason, any amounts that cannot be offset are payable within 90 days after the Company's receipt of the request from the consolidated companies.
In the event that the consolidated companies transfer tax credits to SNAI S.p.A., that transfer implies an indemnity to those companies in the amount of the tax credits thus transferred.
Benefits deriving from the transfer of tax losses from SNAI S.p.A. are paid within 90 days from reception by the Parent Company of the request sent by the consolidated company, irrespective of the fact that these losses have been actually used.
The consolidated companies' tax liability with respect to the Inland Revenue Office remains in effect if a higher taxable income for the Parent Company is assessed as a result of miscalculations in the taxable income reported by the consolidated companies.

Temporary differences	Amount	Rate	Tax impact	Deferred tax liabilities recorded
Tax amortisation of goodwill (former SnaiServ.-SpazioGioco)	(10,769)	24.00%-29.12%	(2,950)	(2,950)
Tax amortisation of goodwill on business segments	(147,781)	24.00%-29.12%	(41,955)	(41,955)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(39,473)	24.00%-29.12%	(11,515)	(11,515)
Other temporary differences	(187)	27.50%-24.00%	(46)	(46)
Total deferred taxes	**(198,210)**		**(56,466)**	**(56,466)**

The changes in the provision for deferred taxes are shown below:

thousands of Euro	31.12.2014	Acquisitions from merger	31.12.2014 restated	Provisions	Uses	31.12.2015
Provision for deferred taxes	57,929	442	58,371	4,630	(6,535)	56,466

Directors of SNAI S.p.A. have decided, in accordance with IAS 12, to record the deferred tax liabilities generated by all of the temporary differences between the carrying values and the fiscal values of the related assets/liabilities. In particular, the acquired business segments are considered business combinations and therefore are recorded using the acquisition method specified by IFRS 3. Therefore, the Company has recognised the identifiable assets and liabilities at fair value at the acquisition date and it recorded goodwill only after having allocated the acquisition cost as described above. Goodwill is not subject to amortisation but to impairment testing on an annual basis; amortisation for tax purposes is regulated by Art. 103, paragraph 3, of the Presidential Decree 917/1986, which gives rise to deferred tax liabilities.
The “difference between the carrying amount and the fiscal value of property, plant and equipment” of Euro 39,473 thousand, with tax impact of Euro 11,515 thousand, mainly relates to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 37,583 thousand with tax impact of Euro 10,961 thousand), as well as properties and land in Milan owned by the incorporated company Immobiliare Valcarenga S.r.l. (Euro 1,369 thousand, with tax effect of Euro 400 thousand).

17. Inventories

Compared to 31 December 2014, inventories decreased by Euro 38 thousand. The breakdown of the “Inventories” item is shown below:

thousands of Euro	31.12.2015	31.12.2014	Change
Raw materials	72	64	8
Work in progress	-	8	(8)
Finished products/goods	346	384	(38)
Total	418	456	(38)

The value of inventories is shown net of the provision for inventory depreciation, equal to Euro 10 thousand as at 31 December 2015 (Euro 12 thousand as at 31 December 2014). The decrease is due to the uses in the period.

18. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	31.12.2015	31.12.2014	Change
Current trade receivables:			
- from customers	111,982	95,849	16,133
- under collection and in portfolio	1,193	1,176	17
- from subsidiaries	567	290	277
- Provision for doubtful receivables	(54,823)	(49,646)	(5,177)
Total	58,919	47,669	11,250

Trade receivables from customers included the balances as at 31 December 2015 due from operators for accepting bets (Betting and Gaming Machines), net of the compensation due to those operators, in addition to receivables to operators of Gaming Machines for the reduction of premiums and remunerations provided for by the Stability Law. The increase in trade receivables is primarily related to the non-repayment of portions of premiums and remunerations paid by Gaming machine operators as envisaged by the Stability Law. As at 31 December 2015, the receivables from the business unit related to the reduction of premiums, as set forth by the stability law, amounted to Euro 11,223 thousand. To this purpose, it should be noted that the non-payment of amounts pertaining to the Gaming Machine operators will involve the non-repayment of the same amounts by SNAI to AAMS within the term of 31 October 2015, as set out by the Stability Law. In light of opinions collected, the Company believes that it is not co-responsible as regards the tax rate pertaining to the business segment, and deems that there is no credit risk as per the amounts that are possibly not repaid by operators within the segment (for further information see Note 27, Other liabilities).

Trade receivables from customers also include the receivables subject to legal action in the amount of Euro 39,031 thousand (Euro 42,376 thousand).

The provision for doubtful receivables was determined by evaluating the amount of potentially uncollectible receivables, analysing the specific conditions of the debtors and any guarantees given to SNAI, by properly evaluating the chances of recovery of overdue receivables and disputes under litigation. Considering the company-backed guarantees obtained from debtors, directors believe that this provision is adequate to cover all foreseeable future losses on receivables.

The following table shows the changes in the provision for doubtful receivables.

thousands of Euro	individually
As at 1 January 2014	42,168
Provisions for the year	15,463
Utilisation of provision	(7,985)
As at 31 December 2014	49,646
Balances from merger	435
Provisions for the year	10,091
Reclassification	(39)
Utilisation of provision	(5,310)
As at 31 December 2015	54,823

As at 31 December 2015, the analysis of trade receivables overdue but not written down is as follows:

			Overdue but not written down		
thousands of Euro	Total	Not yet due/in bonis	0-90 days	90-180 days	>180 days
Total 2015	58,919	44,439	2,068	1,285	11,127
Total 2014	47,669	27,244	2,326	1,653	16,446

19. Other assets

Other non-current assets, classified under “other non-financial assets”, are broken down as follows:

thousands of Euro	31.12.2015	31.12.2014	Change
Tax Receivables:			
- from Inland Revenue Office for tax refund	-	92	(92)
- from Inland Revenue Office for taxes under dispute	-	193	(193)
	-	285	(285)
Other receivables:			
- Guarantee deposit	603	1,296	(693)
Non-current trade receivables:			
- Receivables from customers	125	-	125
- Assets/valuables in portfolio	522	195	327
	647	195	452
Total other non-current assets	1,250	1,776	(526)

Guarantee deposits decreased by Euro 693 thousand, mainly due to the repayment of Euro 500 thousand of the guarantee deposit provided in favour of a player as a result of the malfunction of the Barcrest VLT platform.

Other current assets are composed as follows:

thousands of Euro	31.12.2015	31.12.2014	Change
Tax Receivables:			
- from Inland Revenue Office for IRAP down payment/credit	2,547	616	1,931
- from Inland Revenue Office for IRES down payment /credit	4	175	(171)
- Other tax receivables	469	535	(66)
	3,020	1,326	1,694
Receivables from subsidiaries	2,017	2,816	(799)
Receivables from others:			
- Gaming Machines guarantee deposit	15,223	14,213	1,010
- Advance concession payment to AAMS	1,951	1,873	78
- Advance as per Stability Law - ADI AAMS	182	-	182
- Receivables from ADM for winnings on National Horse Racing	81	159	(78)
- Guarantee deposit for on-line gaming (Skill/Bingo)	288	268	20
- Receivables from Skill Games	15	213	(198)
- Other receivables from Betting Acceptance Points	-	139	(139)
- Receivables related to purchases of business units	327	327	-
- Receivables from undue payment of interest and fines on flat-rate gaming tax (PREU)	2,114	2,114	-
- Receivables from Bluline electronic exchange	226	226	-
- Social security entities	82	57	25
- Sundry receivables	3,377	1,645	1,732
- Provision for doubtful receivables from others	(1,043)	(2,118)	1,075
	22,823	19,116	3,707
Accrued income and prepayments			
- Prepayments	2,835	3,247	(412)
	2,835	3,247	(412)
Total other current assets	30,695	26,505	4,190

The entertainment machines guarantee deposit of Euro 15,223 thousand (Euro 14,213 thousand) relates to 0.5% on the gaming transactions generated by the entertainment machines (AWP and VLT) for 2015, as described in greater detail in Note 3, “revenues from sales of goods and services.”

The Advance concession payment to ADM, of Euro 1,951 thousand, included the fixed amounts paid in advance to ADM for 2015 and was related to the concession fee for horse race and sports betting and for on-line gaming. Further detail thereof is provided in Note 8.

The following table shows the changes in the provision for doubtful receivables from third parties:

thousands of Euro	*individually*
As at 1 January 2014	2,145
Provisions for the year	80
Reclassification	-
Utilisation of provision	(107)
As at 31 December 2014	2,118
Provisions for the year	175
Reclassification	39
Utilisation of provision	(1,289)
As at 31 December 2015	1,043

Among the prepayments, the table shows:

- Euro 2,265 thousand (compared to Euro 2,661 thousand), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for gaming machines;
- Euro 388 thousand (Euro 358 thousand), primarily related to costs of maintenance, assistance and lease contracts, etc., that have not yet accrued.

20. Financial Assets

The non-current financial assets consist of the following:

thousands of Euro	31.12.2015	31.12.2014	Change
Option rights	-	245	(245)
AWP deposits	1,773	999	774
Loans to subsidiaries	110,738	-	110,738
Total non-current financial assets	112,511	1,244	111,267

The loan was granted to Cogemat S.p.A. after the issue of a bond loan, approved by SNAI's Board of Directors on 20 July 2015. The amounts were used by the subsidiary to early redeem, in cash, the payable resulting from some loans granted to Cogemat and/or its subsidiaries.

The option right for the purchase of 51% of the share capital of House Bet S.r.l., incorporated on 25 July 2013 to manage the wagers of gaming machines. The purchase price of the option right amounted to Euro 245 thousand. In the event the purchase option is exercised, this amount will be deducted from the purchase price upon execution of the shareholding transfer deed. At year end, this instrument was measured at fair value and impaired, given the target performance and the fact that the right was likely to be exercised.

AWP deposits are related to contracts with a sector operator.

The current financial assets consist of the following:

thousands of Euro	31.12.2015	31.12.2014	Change
Shares in former Soc. Fiorentina Corse Cavalli for exchange	1	1	-
Escrow accounts and unavailable balances	19,853	19,662	191
Interest income on Loan to subsidiaries	375	-	375
Financial current account with Società Trenno S.r.l.	5,940	2,614	3,326
Fin. current account with Snai Rete Italia S.r.l.	2,950	-	2,950
Total other current financial assets	29,119	22,277	6,842

The escrow accounts, which were opened by the Parent Company in order to manage the amounts resulting from the offsetting between the receivables from ADM under the Di Majo award, and the liabilities for wagers, due every 15 days (the so-called "former ASSI fifteen-days payments"), are unavailable while waiting for ADM's decisions after the judgement of the Rome Court of Appeal of 21 November 2013, which stated that the arbitration award issued on 26 May 2003 (known as "Di Majo Award") was void and ineffective.

The unavailable amounts on bank current accounts relate to amounts that are temporarily unavailable because of enforcement order of third party's claims; it is noted that such amounts involve attachments applied to various bank current accounts on the basis of the same enforcement order.

Bank current accounts to subsidiaries include interest pertaining to the period, calculated at 9,067% fixed rate.

Non-current financial assets, the escrow bank accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 35).

21. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

thousands of Euro	31.12.2015	31.12.2014	Change
Demand-deposit bank and postal accounts	53,841	66,767	(12,926)
Cash in hand	137	155	(18)
Cash on hand	53,978	66,922	(12,944)
Bank overdrafts	-	-	-
Net cash and cash equivalents	53,978	66,922	(12,944)

22. Shareholders' Equity

The share capital of the SNAI S.p.A., as at 31 December 2015, entirely subscribed and fully paid in, amounted to Euro 97,982,245.40 (60,748,992.20 as at 31 December 2014), and is comprised of 188,427,395 ordinary shares, of which 116,824,985 listed on the Italian Stock Exchange (116,824,985 as at 31 December 2014).
On 28 September 2015, the extraordinary Shareholders' Meeting resolved on a divisible increase with consideration of SNAI's share capital, excluding the option right pursuant to Art. 2441, par. four, first sentence, of the Italian Civil Code, for a maximum nominal amount of Euro 37,233,253.20, through the issue of 71,602,410 maximum new ordinary shares of the Company. The latter are to be released by the current shareholders of Cogemat through the payment by kind of 100% of the ordinary shares held by them in Cogemat share capital. On 30 September 2015, the above-mentioned transfer deed was signed, which became effective on 19 September 2015, upon fulfilment of the related conditions precedent. On 24 November 2015, the certification of the share capital increase was deposited at the Company's Register in Lucca.

The holders of ordinary shares are entitled to receive such dividends as are resolved upon from time to time and are entitled to cast one vote at the Company's meeting for each share they hold.

	Listed on the Italian Stock Exchange	**Unlisted**	**Total**
authorised number of shares	116,824,985	71,602,410	188,427,395
number of shares issued and fully paid in	116,824,985	71,602,410	188,427,395
par value per share (in Euro)	0.52	0.52	0.52

The shares issued are all ordinary shares.
The subsidiary Finscom S.r.l. owns 70,624 SNAI shares for a nominal value of Euro 36,724.48.

Reserves

Legal Reserve
The amount of the legal reserve was reduced to zero to cover the losses for the 2014 financial year.

Share premium reserve
In 28 April 2015, the amounts of the share premium reserve were reduced to zero to cover the losses for the 2014 financial year. On 19 November 2015, following the acquisition of the Cogemat Group, totalling Euro 140 million, this reserve was formed, in the amount of Euro 102.6 million, reduced by the ancillary charges borne for the share capital increase, net of the tax effect.

Cash Flow Hedge Reserve
The cash flow hedge reserve, related to the recording of derivatives being taken directly to equity (see Note 32) was reduced to zero.

Post-employment benefit reserve (IAS 19)
The reserve for the re-measurement of post-employment benefits (IAS 19), equal to Euro (212) thousand, is formed by recognition of actuarial gains/losses as at 31 December 2015.

Merger reserve
Following the merger by incorporation of the companies Festa S.r.l. and Immobiliare Valcarenga S.r.l. a surplus of Euro 2,326 thousand was allocated.

Profit (loss) carried forward
Retained profit (loss) amounted to losses of Euro (12,645) thousand and changed during the period mainly by effect of the loss for 2014.

23. Other components of the comprehensive income statement

The other components of the comprehensive income statement relate to the recognition of derivatives directly in cash flow hedge reserve and in the reserve for the re-measurement of post-employment benefits (IAS 19) in shareholders' equity (for further detail see Notes 24 and 32).

The following table show details of the other components of the comprehensive income statement.

thousands of Euro		Year 2015	Year 2014
Hedge derivatives:			
Adjustment to fair value interest rate swap		2,930	2,930
Tax impact		(806)	(806)
	(a)	2,124	2,124
Re-measuring of defined-benefit plans for employees (IAS 19):			
Actuarial gains/(losses)		94	(200)
Tax impact		(26)	55
	(b)	68	(145)
Total gain/(loss) for the year	(a+b)	2,192	1,979

24. Post-employment benefits

The Post-employment benefits as at 31 December 2015 amounted to Euro 1,625 thousand against Euro 1,823 thousand as at 31 December 2014.

The following table shows the movements therein:

thousands of Euro	
Balance as at 31.12.2014	1,699
Balances from merger	124
Uses	(132)
Financial expenses	27
Actuarial loss/(gain)	(7)
Actuarial loss/(gain) from change in demographic ass.	-
Actuarial loss/(gain) from change in fin. assumptions	(86)
Actuarial (gains)/losses	(93)
Balance as at 31.12.2015	1,625

Post-employment benefits are considered to be defined-benefit plans and are accounted for in accordance with IAS 19, applying the projected unit credit method, which consists of estimating the amount to be paid to each employee at the time of their leave, and discounting that liability to current value on the basis of an assumption as to the timing of their resignation calculated using actuarial methods.

The main assumptions adopted are summarized in the following table:

Summary of technical economic bases

Financial assumptions	
Annual discount rate	2.03%
Annual inflation rate	1.5% for 2016 1.8% for 2017 1.7% for 2018 1.6% for 2019 2% from 2020 onwards
Rate of increase in post-employment benefits (TFR)	2.625% for 2016 2.85% for 2017 2.775% for 2018 2.7% for 2019 3% from 2020 onwards
Annual rate of wage increase	1%

Summary of technical demographic basis

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)

Annual frequency of turnover and advances on post-employment benefits

Advances	Turnover
2.50%	4.00%

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 31.12.2015 (amounts in thousands of Euro)	
Change in assumptions	**Balance**
+1% on turnover rate	1,617
-1% on turnover rate	1,630
+1/4% on inflation rate	1,650
-1/4% on inflation rate	1,597
+1/4% on discount rate	1,582
-1/4% on discount rate	1,666

The average financial duration of the bond for defined-benefit plans as at 31 December 2015 equal to around 11 years.

The following table shows expected disbursements related to the plan:

Expected disbursements	
years	thousands of Euro
1	113
2	101
3	97
4	93
5	129

25. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	31.12 2015	31.12.2014	Change
NON-CURRENT FINANCIAL LIABILITIES			
Bond loan	573,030	463,561	109,469
Payables for financial leasing	39	1,208	(1,169)
Total non-current financial liabilities	573,069	464,769	108,300
CURRENT FINANCIAL LIABILITIES			
Bond loan	-	19,552	(19,552)
Due to “Betting Acceptance Points” for the purchase of horse racing and sports Concessions business segments	32	32	-
Payables for financial leasing	1,271	1,151	120
Due to banks	66	40	26
Due for interest on bond loans	2,166	2,148	18
Financial current account with Immobiliare Valcarenga S.r.l.	-	255	(255)
Financial current account with Teleippica S.r.l.	10,504	1,611	8,893
Financial current account with Festa S.r.l.	-	3,066	(3,066)
Total current financial liabilities	14,039	27,855	(13,816)

The financial liabilities include:

- The bond loans stipulated on 4 December 2013 and 20 July 2015 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 573,030 thousand, (nominal value of Euro 590,000 thousand) and stated net of direct ancillary charges/income. These ancillary charges/income, totalling Euro 25,156 thousand, include professional fees related to the signature of the contracts, as well as the tax payable on the assumption of the loan, as well as gains resulting from the pricing difference of the last bond loan issued. The amount reversed to income statement in 2015 amounted to Euro 3,253 thousand.

- financial liabilities for financial lease contracts, totalling Euro 1,271 thousand, mainly relate to the residual balances on contract for the acquisition of a building situated in Porcari (Lucca) and of technology for use in betting acceptance points, described in greater detail in Note 13, “Property, plant and equipment”.

There are no non-current financial payables being due after 5 years.

On 8 November 2013, SNAI S.p.A. entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds (“Facility A” and “Facility B”), the issue of which was resolved on 5 November 2013 by SNAI S.p.A.’s Board of Directors. The Class A bonds, issued in the amount of Euro 15,000 thousand, were repaid on 4 December 2013 and on 5 May 2015 Class B bonds were entirely repaid.

On 4 December 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics:

- Euro 320,000 thousand, with 7.625% interest rate and called Senior Secured Notes, with maturity date on 15 June 2018;
- Euro 160,000 thousand, with 12.00% interest rate and called Senior Subordinated Notes, with maturity date on 15 December 2018.

Bonds were initially subscribed by J.P. Morgan, Banca IMI S.p.A., UniCredit AG and Deutsche Bank AG, London Branch, pursuant to a purchase contract signed on the same date with SNAI, and were then placed exclusively with institutional and professional investors. Procedures for the listing of Notes were then started on the Euro MTF market, organized and managed by the Luxembourg Stock Exchange, together with procedures for the secondary listing at the ExtraMOT Pro segment, organized and managed by Borsa Italiana. These procedures are now completed.

Senior Secured Notes and the Senior Revolving Facility are also backed by a pledge on SNAI shares, issued by a majority shareholder of the Company. The related security agreement between the Company and the majority shareholder was submitted to the favourable binding opinion by the SNAI Related Party Committee.

On 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A. and Intesa Sanpaolo S.p.A. On 28 July 2015, during the refinancing transaction connected with the merger of the Cogemat Group, UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A., Milan Branch, committed themselves, provided that some conditions precedent be fulfilled, to supply SNAI S.p.A. with a further Euro 25,000 thousand, at the same terms and conditions set out in 2013, thus increasing the credit line to a total amount of Euro 55,000 thousand. The above-mentioned conditions precedent occurred on 10 December 2015. The Senior Revolving Facility had not been used as at 31 December 2015.

On 20 July 2015, the Board of Directors of SNAI approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity term on 15 June 2018. Bonds were initially subscribed by J.P. Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed at qualified investors. The Bonds are listed on the Euro MTF market, organised and managed by the Stock Exchange of Luxembourg. As regards the merger with the Cogemat Group, revenues resulting from the issue of Bonds were used by the Company for the partial early cash repayment of payables resulting from some loans related to Cogemat and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on 21 July 2015, for a total principal up to Euro 110 million, with maturity term on 15 June 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on yoy basis. The Bond issue and regulation took place on 28 July 2015. The related amounts are credited on an escrow account until the occurrence of conditions precedent and upon enforceability of the acquisition of Cogemat/Cogetech Group. On 18 November, following the occurrence of the aforesaid conditions precedent, the funds were made available to the Company.

A summary of Bonds and Credit Facilities is shown in the following table:

Financial payables	Amount of loan	Duration	Interest period	Due date	Repayment method	Date of payment	Disbursed amount
Senior Secured Notes	320,000	4 years and 6 months	6 months	15.06.2018	Bullet	04.12.2013	320,000
Senior Subordinated Notes	160,000	5 years	6 months	15.12.2018	Bullet	04.12.2013	160,000
Senior Revolving Facility	55,000		1, 3 or 6 months	15.12.2017	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.		-
Senior Secured Notes	110,000	3 years and 5 months	6 months	15.06.2018	Bullet	28.07.2015	110,000
Total	**645,000**				**Total amount disbursed as at 31.12.2015**		**590,000**

26. Provisions for risks and charges, pending litigations and potential liabilities

SNAI is party to in proceedings before civil and administrative courts, and other legal actions, connected with its ordinary course of business. On the basis of the information currently available, and taking into consideration the existing provisions for risks, SNAI considers that those proceedings and actions will not result in material adverse effects upon the financial statements.

As at 31 December 2015, the provisions for risks and charges amounted to Euro 27,500 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

thousands of Euro	Tax disputes, litigations and contractual risks	Expenses for shareholdings	Technological renewals	Total
Balance as at 31 December 2014	9,878	248	686	10,812
Balances from merger	18	-	-	18
Provisions recognised in year	11,861	6,838	422	19,121
Releases/Uses for the year	(1,765)	-	(686)	(2,451)
Balance as at 31 December 2015	19,992	7,086	422	27,500

Technological renewals
The provision for technological renewals consists of periodical allocations for technological upgrading, as provided for by the concession agreement for the construction and running of networks for the on-line management of legal gaming via gaming machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931, and following amendments and supplements;

Expenses for shareholdings
The provision is related, in the amount of Euro 6,738 thousand, to the subsidiary Snai Rete Italia and, in the amount of Euro 348 thousand, to charges connected with the company in liquidation (Note 15).

Tax disputes, litigations and contractual risks
The provision for risks 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 total amount of Euro 19,992 thousand.

Provisions for the year, amounting to Euro 11,861 thousand, are related, in the amount of Euro 2,508 thousand, to potential liabilities concerning transactions with some managers, in the amount of Euro 4,067 thousand, to legal fees concerning the Barcrest dispute, in the amount of Euro 5,230 thousand for legal disputes and fees, and in the amount of Euro 56 thousand, to other risks.

The uses for the period are related, in the amount of Euro 701 thousand, to transactions with employees and also include related legal fees. They are also related, in the amount of Euro 359 thousand, to the use for transactions with players of 2 October 2012, in the amount of Euro 150 thousand to the use for legal fees concerning the Barcrest transaction and, in the amount of Euro 144 thousand, to other uses. Moreover, the provision allocated for a tax assessment, in the amount of Euro 410 thousand, was released after the settlement of the same.

This section will provide a summary of the most significant proceedings; unless indicated otherwise, no provisions have been made in relation to the disputes described below for which SNAI considers an unfavourable outcome in the proceedings to be simply possible (namely, not probable) or where the amount of such a provision cannot be reliably estimated.

Disputes concerning the gaming machines business: ADM's objections for alleged breaches in the management of the on-line network

In the month of June 2007, ADM issued contractual penalty notices for the same amounts claimed in the same year by the public prosecutor at the Court of Auditors of the Lazio Region (this last proceeding has now been concluded following the Company's adhesion to finalise tax assessments as per Art. 14 of Law Decree 102/2013).

The Company has lodged an appeal with the Regional Administrative Court (TAR) contesting the ADM decisions.

The TAR firstly suspended their enforceability and then declared them null and void through ruling no. 2728 of 1 April 2008, now res judicata. As regards the first group of three objections - regarding the alleged delay in start-up, activation and running of the Network - ADM issued the related penalties with notices 33992/Giochi/UD on 2 September 2008, 38109/Giochi/UD on 1 October 2008, and 40216/Giochi/UD on 16 October 2008, for a total amount of over 2 million Euro, served to SNAI, which objected these proceedings before the Lazio Regional Administrative Court (TAR). The related administrative judgement was favourable to SNAI as the State Council declared the orders to pay these three penalties null and void.

In its memorandum 2011/6303/Giochi/ADI of 22 February 2011, ADM formally resumed the proceedings to enforce a fourth penalty for the alleged failure to comply with the specified service level of the Gateway in the period between July 2005 and March 2008, when the above-described contractual addendum eliminated that provision for the future.

On the basis of the data and criteria developed by the Technical Committee referred to above, and in compliance with the annual ceiling introduced with the last addendum to the contract, ADM imposed the penalty in question on SNAI S.p.A., which it calculated as a total of Euro 8,480,745.00 (reduced to Euro 7,463,991.85 to meet the reduced ceiling for the year 2005 on the assumption that the Council of State confirms the first three penalties).
SNAI, as a result of partial access to the computer database compiled by SOGEI S.p.A., with its brief of 8 June 2011, nevertheless made point-by-point defensive arguments concerning the method and substance, the reliability and correctness of the charges, reserving the right to expand on those arguments upon gaining complete access to the records.
On 28 September 2011, access to the information was supplemented by on-line queries via the access gateway.
The information extracted is covered in the technical opinion of Prof. Listanti, which formed the basis for the drafting of a supplementary brief filed with ADM on 27 October 2011.

With memorandum no. 2012/7455/Giochi/ADI dated 17/2/2012 and received on following 27 February 2012, the ADM imposed on SNAI the penalty under Article 27 (3) (b) of the Concession Agreement in conjunction with Annex 3 (2), for a total amount of around Euro 8.5 million.
On 27 April 2012, SNAI filed notice of appeal to challenge that measure before the Administrative Court, with a request to declare it null and void, while suspending its enforceability pending the final decision.
On 24 May 2012, the Second Section of the Lazio Regional Administrative Court, by virtue of its order no. 1829/2012, suspended the enforceability of the fourth penalty and scheduled the trial on the merits for 20 February 2013.
On 20 February 2013, the hearing was held, and on 17 June 2013, ruling no. 6028/2013 was deposited. With this sentence the Second Section of the Lazio Regional Administrative Court (TAR) upheld SNAI’s appeal and, consequently, annulled the ADM penalty.

On 28 January 2014, SNAI was served with the notice of ADM's appeal against the ruling no. 6028/2013.
On 28 March 2014, SNAI filed a memorandum and a cross-appeal only to the ruling no. 6028/2013 which is unfavourable to the company.

Following the hearing for discussion that was held on 26 May 2015, the decision was expressed with ruling no. 5496/2015, with which the Council of State accepted the appeal submitted by SNAI, thus finally cancelling the penalty for the non-appointment of the commission intended to determine the levels of service, as well as the appeal lodged by the Board of Directors for the determination of a penalty other than the decision made by Regional Administrative Court (TAR).

By virtue of the above and of the conclusion of the proceeding, to date there is no risk for the Company.

Disputes concerning the gaming machines business: proceedings on reporting procedures initiated by the Substitute Prosecutor before the Court of Auditors and consequent sentence on accounts

Proceeding on reporting procedures
The object of the proceeding is the assessment of the mandatory disclosure of the accounts related to concession holders of the legal gaming through AWPs and VLTs.

In April 2010, the regional public prosecutor at the Court of Auditors notified SNAI and other gaming concession holders of a claim under article 46 of Royal Decree no. 1214/1934, and an application under article 41 of the Royal Decree 1038/1933, for the formation of the official account, on the basis of an alleged failure to present a "court account" in respect of the cash flows arising from the management of gaming activities, as network concession holder.

By Decree of the President of the Lazio Section of the Court of Auditors the reporting trial has been resumed and a deadline set for the related filing. In its defensive brief, SNAI challenged the status ascribed to it, since it does not handle public money subject to the PREU tax.

On 27 April 2010, the Regional Prosecutor sent a summons for a hearing to sentence SNAI S.p.A. for non-reporting. The Court, at the preliminary for appearance and discussion held on 7 October 2010 regarding the penalty sought by the Prosecutor for the alleged delay in reporting, heard the arguments for and against SNAI and the other concession holders who underwent the same proceeding. The attorneys developed arguments on the substantial baselessness of the demands of the investigating Prosecutor and argue that the Court of Auditors should evaluate their requests for exoneration from responsibility for the delay in light of contemporary reporting procedures based on on-line communication of the data relevant to SOGEI S.p.A. instead of applying the rules laid down for someone who "handled" public money in a historical era as far back as 1862.

At the hearing of 7 October 2010, the Court of Auditors, in its ruling no. 2186/2010, totally rejected the Prosecutor's demands charging ADM with failure to present a judicial account within the deadlines defined by law. On 11 March 2011, SNAI was served notice of the Prosecutor's appeal.

In the view of the Company's legal advisors, the grounds of the appeal may be reasonably overcome; on that basis, technical defences have been prepared for the hearing scheduled for 13 March 2013. At the hearing of 13 March 2013, the matter was deferred to a new hearing on 18 December 2013 and the decision was upheld.

As it did for the appeals of other concession holders, with ruling no. 5 of 3 January 2014, the Court of Auditors deemed that the accounting default claimed by the Prosecutor was actually present. The fine, however, was remarkably reduced from hundreds of millions of euros to Euro 5,000.00, duly paid, thus accepting the correct calculation of the fine claimed by SNAI.

The Company was served with the above ruling on 3 July 2014, with payment term of 30 (thirty) days. The Company provided for the payment on 10 July 2014; therefore, the proceeding can be deemed as settled. The updating is however supplied for sake of clarity, also in view of the strict connection between the above-mentioned sentence and the sentence on accounts described hereunder.

Sentence on accounts
The object of the sentence is the audit on the correct contents of the accounts submitted by concession holders of legal gaming through AWPs and VLTs.

In addition to the Proceedings on reporting procedures, in the course of 2012, the Sentence on account proceeding was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court of Auditors. At the hearing of 17 January 2013, the rapporteur referred, in support of their report, to an opinion provided to ADM by the United Sections of the Court of Auditors, regarding the new form of court accounting, and the Court adjourned to 16 May 2013, placing copies of that opinion at the disposal of the parties.

With ruling no. 448/2013, lodged on 14 June 2013, the Lazio Court of Auditors' Jurisdictional Section stated that the sentence on accounts was ineffective and its decision was transmitted to the Regional Prosecutor for assessing any possible administration liabilities.

SNAI appealed the ruling. The hearing at the Court of Auditors' First Jurisdictional Section was held on 10 April 2015.

With sentence no. 304/2015 of 30 April 2015, the Court of Auditors' Third Section cancelled the objected sentence deeming that the case could not be concluded with a sentence indicating the impossibility of taking further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the sentence ordered that the Lazio Regional Section reviewed 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 Appeals Section of the Court, all documents related to judicial reporting, already returned to the ADM, were retransmitted to the Lazio Regional Section.

The appeal ruling being executed, 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 SNAI's legal adviser, can by 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.

Malfunctioning of the Barcrest VLT platform (16 April 2012)

On 16 April 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 as a result of the ADM's order to block the system - SNAI S.p.A. immediately blocked access to the Barcrest System 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 16 April 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.

In particular, as at 31 December 2015, 98 proceedings had been filed, including 10 interim orders that were temporarily enforceable and can be summarised as follows:

- - in two cases, the gamers obtained an award of about Euro 500,000,00. In one of these cases SNAI, after obtaining the suspension of the interim order's enforceability, applied for and obtained a distraint order over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the temporary enforceability was suspended with SNAI's payment of Euro 500,000.00. The Court concluded the proceeding by declaring its own lack of jurisdiction and ordered the release of the guarantee deposit with consequent return of the corresponding amount to SNAI. After 31 December 2014, SNAI obtained the repayment of the corresponding amount paid in the guarantee deposit. In the remaining seven cases, temporary enforceability was suspended pending summary examination of the substantive case. In five of those, the enforcement procedure started was i) discontinued in three cases, ii) suspended in two cases with scheduling of the hearing for the extinction of the judgement on 29 June 2016.

It should be also pointed out that

i) two cases have in the meantime become extinct due to inactivity on the part of the player;
ii) during the case, 2 orders were issued pursuant to Art. 186 of the Italian Code of Civil Procedure (hereinafter "c.c.p."), of which one was revoked upon motion filed by SNAI.

For the other case, the players started a legal action against SNAI, for which the latter filed an objection;

iii) twenty-six transactions were subscribed (referred to twenty-four proceedings) of which 7 were subscribed after 31 December 2015;
iv) fifteen proceedings were settled with sentences on the merits favourable to SNAI (of which ten sentences including a revocation of the interim orders (executive and non-executive orders obtained by players), and five sentences rejecting the claims of the players), of which six sentences after 31 December 2015.
v) thirty-six proceedings were settled with sentences on the merits favourable to SNAI (essentially by reason of lack of territorial jurisdiction of the Judge, as sustained by players). A great number of these players were summoned before the Court of Lucca.

In all of the above proceedings, SNAI has and will appear 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 16 April 2012.
It should be noted that the compensation lawsuit filed by SNAI against Barcrest and its subsidiary was settled by waiving the legal action and therefore was declared cancelled, with legal expenses offset, as the parties reached an agreement on pending cases and payment of damages and costs already borne, including some guarantees on the cases themselves.

Proceedings for revocation/expiry of certain rights awarded upon the conclusion of the Bersani Tender Procedure
The directorate general of ADM has, through 108 different decisions, given notice of the revocation of the authorization, and the expiry/termination of rights, for failure to activate and/or unauthorized suspension of gaming (with reference to 108 rights assigned to SNAI further to the “Bersani” tender procedure) and with reference to other three rights, ADM has given notice of start of proceedings for the revocation of authorization and termination of the right (with reference to three rights assigned to SNAI further to the “Bersani” tender procedure). The Company promptly brought the matter before the Lazio Regional Administrative Court.

The proceedings have not yet been settled, except for the objections, related to four licences, that were rejected with no possible appeal.

On the basis of the legal advice obtained, and in light of the uncertain nature of disputes in this area, SNAI currently considers risks of losing these lawsuits to be possible.

Disputes related to the betting business: Guaranteed minimum service levels
It should be noted that SNAI received a number of notices from ADM regarding the reduced level of transactions by certain horseracing and sports Concessions in the years 2007-2008 for which ADM has requested the minimum guaranteed service fees. We report the latest developments regarding the various measures analysed by year of dispute.

With ADM notices no. 2009/20716 of 29 May 2009, the Authority demanded that SNAI pay the minimum guaranteed amounts for the year 2008, for a total of approximately Euro 11.1 million. On 17 September 2009, the Company, acting through its legal adviser, filed a special appeal with the Lazio Regional Administrative Court for the suspension and subsequent cancellation of the decisions requiring the minimum payments for the year 2008.
With ruling no. 10860/2009 published on 5 November 2009, the Lazio Regional Administrative Court has upheld the appeal submitted by SNAI, therefore cancelling ADM’s demands related to the year 2008.
A similar procedure was performed for the ADM’s demand for 2009 in relation to 204 horse racing betting concessions for a total amount of Euro 7.4 million, against which an interim application was brought before the Lazio Regional Administrative Court, with a view to accelerating resolution of the dispute.
Following numerous litigation brought before the same Court by a large number of betting acceptance points concession holders related to the guaranteed minimum fees for the years 2006 and 2007, the Court pronounced the Sentences nos. 6521 and 6522 of 7 July 2009, cancelling the request of payment of ADM as illegitimate, on the basis that such requests were not anticipated by the safeguard measures set out in the law in respect of those concession holders existing prior to the opening of market pursuant to Law Decree no. 223/06 (the so-called Bersani reform). The Regional Administrative Court (TAR) declared that ADM was legally obliged to adopt those measures, in order to achieve a re-equilibrium of the operating conditions of the concessions in place prior to these reforms.
Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by ADM in view of the adoption of such safeguard measures.

It should also be noted, with regard to the minimum guaranteed amounts, that SNAI had complied with ADM's request in relation to 2006, paying guaranteed minimums for an amount of Euro 2.4 million. The amount paid was posted under receivables from ADM, as it is now considered recoverable; and the Parent Company has informed ADM that it would be seeking to enforce its rights in all appropriate venues, in order to have a recalculation on an equitable basis of all the amounts requested, and an evaluation of the conduct of ADM. Recently, upon the appeal of the Company and other concession holders, the Lazio Regional Administrative Court revoked ADM's demands and requested the adoption of the "safeguard" measures, in view of the fact that with the Bersani tender procedure, and other subsequent tender procedures, the territorial exclusivity originally granted under some concessions, were no longer valid following the award of a large number of additional concessions for sports and horse racing betting.

Finally, also on the basis of notices sent by ADM to another concession holder, starting from the first half of April 2011, the receivable of Euro 2,429 thousand for the above-mentioned guaranteed minimum amounts related to the year 2006 paid by the parent company to ADM in prior years has been offset against current liabilities, connected to former ASSI amounts.

On 12 January 2012, ADM notified 226 requests for payment of minimum guaranteed amounts to which the following is to be added:- two further requests addressed to the former Agenzia Ippica Monteverde S.r.l. - two further requests addressed to the former Agenzia Ippica Monteverde S.r.l. - payment requests of minimum guaranteed amounts for the years 2006-07-08-09-10, for a total amount of Euro 25,000 thousand on the assumption that the "safeguarding methods", previously not in place, had expressly been provided for by Article 38 (4) of Law Decree no. 223/06; it has now become apparent, however, that it was impossible to adopt a standard for calculating minimum guaranteed amounts, other than the standard that had already been repeatedly censured by several Lazio Regional Administrative Court rulings, some of which have now become res judicata. SNAI submitted an appeal to the Lazio Regional Administrative Court for the annulment of those orders after suspending their immediate enforceability pending the final ruling. The hearing for discussion of the interim application was set for 21 March 2012.
By virtue of order no. 1036/2012 of 22 March 2012, the Second Section of the Lazio Regional Administrative Court, also acknowledging the steps taken to resolve the long-standing question of the safeguarding measures, temporarily suspended the effectiveness for the new requests to pay the minimum guaranteed amounts for 2006-2010, fixing the hearing on 5 December 2012.

On 20 June 2012, ADM notified to SNAI 226 requests for payment of minimum guaranteed amounts to which the following is to be added: - one further request addressed to the former Agenzia Ippica Monteverde S.r.l. payment requests for integrations to minimum guaranteed amounts for the years 2006-07-08-09-10-11, for an aggregate amount of Euro 24.9 million.
Compared to the previous round of demands of January 2012, this one, on the negative side, shows the addition of the supplements owed for the year 2011, which had not yet been demanded by ADM and, on the positive side, a 5% reduction in the amount demanded pursuant to Article 10 (5) (b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of 26 April 2012.
This Article has provided, in respect of the "*amounts for collection pursuant to article 12 of Presidential Decree no. 169 of 8 April 1998, as supplemented*" (the "minimum guarantee amounts"), *"the equitable definition, of a reduction not higher than 5 per cent of the sums still payable by the concession holders, pursuant to said Presidential Decree no. 169 of 1998, with identification of the methods of payment of such amounts, and adjustment of the guarantees".*
On 20 July 2012, an application was made to the Lazio Regional Administrative Court for the interim suspension and subsequent cancellation of those requests of payment.
Following the hearing on 12 September 2012, the Second Section of the Lazio Regional Administrative Court ruled that the notices amounted to simple offers of settlement, and did not have the effect of further requests, where not accepted by the concession holder. This interpretation of the requests received and the underlying Law Decree 16/2012 leaves the Company open to defend any attempt to that ADM might pursue for a forced collection of the amounts; on the other hand, confirms the suspension of similar requests that ADM issued on 30 December 2011, already suspended on an interim basis by the same court, in order no. 1036/2012.
Additional reasons have also been proposed for the further request of guaranteed minimum amounts in connection with the bet concession no. 426, similar to those previously contested, but which was notified by ADM only on 7 August 2012.
At the hearing scheduled for 5 December 2012, together with that already fixed in connection with the appeals against the previous orders to pay the minimum guaranteed amounts, the Court reserved the decision.

Through ruling no. 1054, deposited on 30 January 2013, the Court's second section upheld SNAI's arguments concerning alleged breach of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered suspension

of the proceedings, and passed 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 interest in the lawsuit.
For the entire duration of the proceedings before the Constitutional Court, the suspension of the proceedings continues to operate, to the benefit of SNAI, preventing ADM from enforcing the requests. The hearing before the Court was held on 8 October 2013 and the decision was upheld.
With ruling no. 275 of 20 November 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 6 June 2013, SNAI 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, SNAI objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.
At its hearing on 6 June 2014, the Second Section of the Lazio Regional Administrative Court took on both cases for ruling.
With rulings no. 7323/14 of 10 July 2014 and no. 8144/14 of 24 July 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 and no payment claims were made by ADM for the years after 2012, also by reason of the fact that concessions, to which the guaranteed minimum amounts are related, have expired and have been replaced by new concession holders who are not related to ADM.
The Company, supported by the advice of its legal advisers, considers that the risk of an unfavourable outcome is to be non-existent and consequently has made no provision for risk.

Legal proceedings related to the 2015 Stability Law

Administrative proceeding

The 2015 Stability Law set out that the Group had to pay the Stability Tax on a prorata basis. The proportional share of the Stability Tax for concession holders and operators of VLTs and AWPs for 2015 is defined by the directorial execution order, Art. 1, par. 643, letter l) of the 2015 Stability Law issued by ADM (the "**ADM Decree**"). Pursuant to the 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWPs are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWPs under concession license, regardless from the fact that these machines are managed directly by the concession holder.

Concession holders are bound to pay their share of Stability Tax, as provided for by the ADM Decree and to ask for related contributions from partners who manage VLTs and AWPs upon concession license. Pursuant to the ADM Decree, the amount of the Stability Tax due to the SNAI Group for 2015 was determined, on a prorata basis, for an amount of Euro 37.8 million to be paid in two instalments: 40% of the total within 30 April 2015 and the remaining 60% within 31 October 2015. Pursuant to requirements set out by the 2015 Stability Law and the ADM Decree, (i) the SNAI Group instructed its partners to pay their share of Stability Tax proportionally to the number of VLTs and AWPs managed upon concession licenses granted to them by the SNAI Group and (ii) tried to renegotiate the terms and conditions of agreements that govern its trade relations in order to include some of the technical changes set forth by the 2015 Stability Law.

On 13 February 2015 (together with other concession holders of VLTs and AWPs), SNAI appealed against the ADM Decree before the Lazio Regional Administrative Court ("TAR"), also objecting that the section of the 2015 Stability Law which set out the Stability Tax was an infringement to the Italian Constitution and the EU regulation, and that, based on the wording of the rule, the 2015 Stability Law did not envisage that concession holders had to pay and Stability Tax based on the number of machines managed by commercial partners in relation to their license; the concession holder is not able to collect this share in advance from these operators. The partners, to whom the Group has required to pay the corresponding share of Stability Tax, based on the VLTs and AWPs managed by them through the Group concessions, adhered to the appeal against the ADM Decree by filing a cross-claim with respect to SNAI on both the payment request and the renegotiation of contract terms and conditions governing the related commercial relations. The plaintiffs asked for an urgent order to suspend the payment of the Stability Tax, while awaiting the sentence on the merit, which was rejected by the TAR Court with order no. 1461 of 2 April 2015.

The hearing for the discussion on the merits of claims was held on 1 July 2015. As a result of this hearing, the Second Section of the TAR Court, with council order no. 9747 of 20 July 2015, ordered the acquisition of investigation documents by ADM and SNAI, especially on the corporate accounts regarding the extent of wagers managed through gaming machines. Therefore, the Court further adjourned the hearing to 21 October 2015.

Meanwhile, by reason of the fact that no new regulations were envisaged to settle the critical issues already highlighted by SNAI and the other concession holders, and that payments due by operators are still widely unsettled, SNAI and the other concession holders filed a new interim application. The Second Section of the Lazio Regional Administrative Court fixed the discussion of the matter at the hearing of 21 October 2015, already scheduled for the discussion on the merits of the notice of appeal to challenge that measure.

With order no. 4523, on 22 October 2015 the Second Section of the Lazio Regional Administrative Court rejected the interim application, as filed again by SNAI and the other concession holders, and reserved on the decision.

With appeal filed before the Council of State, SNAI asked for the reformulation of the interim order no. 4523, issued by the Regional Administrative Court, after granting of presidential interim measures as per Art. 56 of the "Administrative process code", concerning the suspension of the payment, upon maturity term of 31 October 2015, (at least) for the portion referred to the amount that SNAI did not receive from third-party operators in the wagers segment. With order no. 4939 of 30 October 2015, the Chairman of the IV Section of the Council of State rejected the interim application. The hearing of the Court, originally scheduled on 24 November 2015, was postponed to 1 December 2015.

With order no. 5375 of 2 December 2015, the Council of State rejected the interim appeal.

With order no. 14140, published on 16 December 2015, the Second Section of 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 filed by SNAI and 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.

The interim judgement before the Constitutional Court will be formally made after the transfer of the proceedings to the Council by the Lazio Regional Administrative Court, with following publication of the order on developments in the Official Journal, Special Section of the Constitutional Court.

Meanwhile, the judgement before the Lazio Regional Administrative Court will be 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.

Civil proceeding (SNAI vs. Acilia Games S.r.l.)

With writ of summons notified on 17 December 2015, pursuant to Law no. 53 of 1994, Acilia Games S.r.l. (together with other 435 operators of the segment of legal gaming) sued SNAI (together with other concession holders of legal gaming, including Cogetech) 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 10,000 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, concession holders should be ordered to pay the amount of Euro 10,000.00 for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

SNAI will appear in Court in due form for the first hearing scheduled on 9 May 2016.

In the opinion of the legal advisers, 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.

Penalties for exceeding the AWP quotas

Following the demand formulated by ADM on 22 June 2012 regarding the information about the locations of the AWPs that were presumably observed to have exceeded the limits set by the rules on quota restrictions in force at the time, determined by the presence of machines concerning several concessionaires in the months of January-August 2011. In its memorandum of 31 January 2013, SNAI requested that the anomaly be corrected, while at the same time cancelling the payment order formulated by ADM as a form of self-remedy. In light of that evidence, the amount of Euro 1.470 million has been provisioned to provide full coverage for any risks this may represent. Lastly, ADM further asked the payment of the entire amount by 31 October and SNAI, due to the huge amount of checks functional to the payment and in agreement with other concession holders, on the one hand filed a formal request for cancellation of such notices, as a form of self-remedy to the payment claim, and on the other hand objected such order before the Administrative Court.
We are awaiting the dates to be set for the hearing on the discussion of the appeal.

Other Disputes

SNAI/Omniludo S.r.l.

- <u>Case 4194/2007:</u> the company Omniludo S.r.l. is suing SNAI, alleging a breach of obligations under an existing contract between the parties for the "*management, maintenance and assistance by Omniludo S.r.l. for slot machines*" (the "Contract of 29 June 2005", petitioning the Court:

  to accept and declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated 29 June 2005; to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.
  The case was investigated and the hearing was postponed to 10 December 2010 to allow for clarification of the pleadings and then postponed again ex officio to 17 June 2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (Case no. 4810/2010 described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10).
  By order of 10 February 2012, the Court lifted its reservation made at the hearing of 17 June 2011 and the Judge forwarded the case to the President of the section for combination of the lawsuits or the reassignment of lawsuit 4810/2010 to Mr. Capozzi, who had investigated the first proceedings.

- <u>Case 4810/2010</u>. By the writ of summons served on 16 November 2010, SNAI S.p.A., in light of the grossly negligent breach of obligations under the Contract of 29 June 2005, sued Omniludo S.r.l. before the Court of Lucca, petitioning the Court as follows:
  1) to find and declare Omniludo S.r.l. to be in breach of trust and of the obligations under the aforementioned contract;
  2) to find and declare the Contract of 29 June 2005 to be terminated on the grounds of Omniludo S.r.l.'s serious breaches of its contractual and statutory obligations;
  3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter "c.c.p.") to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the Presiding Judge of the Court of Lucca, who scheduled the trial for 07 January 2011.
The case was investigated and the hearing was postponed to 11 December 2013.
By order of 12 March 2012, the Presiding Judge of the Court ordered that the case 4194/07 be convened jointly with case 4810/201010 at the hearing of 11 December 2013 before Judge Frizilio with a view of their possible consolidation.
The aforementioned ruling was appealed by OMNILUDO on 3 April 2012. The Presiding Judge of the Court, holding that the substantive requirements were met for grouping of the proceedings, ordered on 26 June 2012 that the case be

referred to Judge Frizilio for the purposes of arranging the consolidation and clarification of the pleadings.
Indeed, at the hearing of 11 December 2013, the Judge decided on the grouping of all pending proceedings for the case no. RGNR 4194/2007 and on the postponement of the hearing on 17 March 2014. Once the conclusions had been specified, the Judge indicated the deadlines for submission of the closing briefs.
With ruling no. 1772/2014, the Judge rejected the claim for damages filed by Omniludo and the cross-claim filed by SNAI. On the one side, the sentence acknowledged the existence of an exclusive covenant in favour of OMNILUDO (while acknowledging its claims on a theoretical basis), but on the other side, the Court rejected the claim of damages for lack of evidence on the extent of damage suffered.

With deed of summons for the appeal, served on 28 May 2015, the company Omniludo Srl, in liquidation, objected the sentence no. 1772/2014 of the Lucca Court before the Court of Appeal of Florence, summoning SNAI to the hearing of 15 October 2015 – set for 26 November 2016 by Decree of the President of the Arbitration Panel, Section I - and asking that the same be ordered to pay all damages incurred by Omniludo due to the breach of the exclusive right envisaged by the agreement in force between the parties, in the amount of Euro 111,250,000.00, or in other amount set out by the Court.
With the legal support of its attorneys, the Company is evaluating the notice of appeal received from Omniludo Srl, and will appear in Court in due terms with a cross-appeal. In any case, based on the legal expertise obtained by the Company, the risk of unfavourable outcome can no longer be deemed as remote (certainly, as regards quantity, far more limited than the amount claimed by the claimant, or possibly on a fair basis), albeit it is mitigated by the decision to file a cross-appeal. Ultimately, this risk can be classified as possible.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on 14 March 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. SNAI appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless. Following the hearing on 15 February 2013, the Investigating Judge ordered the translation of foreign-language documents filed by Ainvest. The case was assigned to another Judge on 7 June 2013, who postponed the hearing until 11 October 2013. In the meantime, AINVEST filed a petition for the revocation of the ordinance for the translation of the documents into English. At the hearing of 11 October 2013, the Judge ordered the appointment of an interpreter, setting the new hearing on 16 May 2014.
At that hearing, the Judge ruled that the documents were to be translated, allowing the court appointed expert 180 days in which to carry out the appraisal (beginning from 16 June 2014) and postponing the hearing for the examination of the appraisal to 27 February 2015. At this hearing the Judge postponed the case to 16 June 2015 to discuss the preliminary claims. At that hearing, the preliminary claims were discussed and the Judge postponed the case to hear the witnesses to 2 December 2015 and 27 January 2016, where some witnesses indicated by the parties were excluded. Upon request of both parties, the Judge scheduled another hearing on 8 June 2016 for the examination of other witnesses, and postponed the hearing on 17 July 2017.
Based on the opinions of their legal advisers, the Directors assessed the risk of losing the case as more than possible.

Potential assets: Receivables from the Di Majo Award

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 had a first conclusion in 2003, with the "Di Majo award", 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 SNAI by 30 June 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 ruling before the Rome Court of Appeal.
At the trial scheduled for 14 December 2012, the judgement on the case was reserved.
In addition to those legal events, on 22 June 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.

Offsetting of the accounts receivable from the Di Majo Arbitration has already been authorised by a decree issued by the ADM in any case, and SNAI has arranged for such offsetting in the amount of Euro 2,498 thousand regarding the receivables directly attributable to SNAI as concession holder.
Based on the above authorisation for offset, 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.
With ruling no. 2626 of 21 November 2013, the Court of Appeal in Rome sentenced that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence.
SNAI appealed (service on 21 May 2014 and submission to the Supreme Court (Cassation) thereafter on 10 June).
To date, we are awaiting the dates to be set for the hearing on the discussion of the appeal.

Allegations by ADM regional offices related to the 2006 PREU
This dispute regards 41 notices issued by the regional offices of ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.
The aggregate amount of Penalties and PREU claimed is Euro 786,876.85 (Euro 193,427.76 in penalties + Euro 593,449.09 in PREU) plus interest.

SNAI has filed an appeal with the appropriate Provincial Tax Commission (CTP) against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:

- in relation to four notices of assessment, ADM issued a decision for their cancellation as a form of self-remedy (and setting aside);
- in relation to 1 proceeding, the suspension was accepted and appropriate CTP, after the hearing, rejected the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional Tax Commission. The hearing on the merits was held on 20 April 2015, and at that date, upon lifting of its reservation, the CTR rejected SNAI's appeal and confirmed the assessment notice;
- for 15 proceedings, the hearings on the merits and suspension of provisional enforceability as at 5 June 2013 have been accepted and on 24 July 2013 the Court lifted its reservation and rejected the appeal filed by SNAI. Based on the above-mentioned rulings, SNAI filed an appeal with the appropriate Regional Tax Commission. The hearings on the merits were held on 11 June 2015 and upon lifting of its reservation, the CTR rejected SNAI's appeal;
- for one proceeding, after accepting the suspension at the hearing of 5 March 2015, the CTP, upon lifting of its reservation made at the hearing on the merits, declared the appeal for incompetence as ineffective.
- As regards one proceeding, the hearing on the suspension was held on 12 December 2014. Upon lifting of its reservation, the CTP rejected the suspension request. After various postponements, the hearing on the merits was held on 16 February 2016, at the end of which the Court reserved on the decision.
- for eighteen proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. ADM appealed the remaining fifteen rulings before the competent Regional Tax Commission and SNAI submitted its own objections. Of which: seven proceedings are still pending at the Supreme Court following ADM's appeal against the decision of the Regional Tax Commission, which confirmed the first instance proceeding thus rejecting ADM's request. The date of the hearing is still to be scheduled; for eight proceedings the hearings were held on 13 July 2015. Upon lifting its reservation on the above hearings, the Court rejected the appeal filed by ADM;
- for one proceeding, SNAI's appeal was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed.

The risk of an unfavourable outcome can be deemed as (i) real (effective), whenever SNAI's appeals are rejected in both first and second instance, or (ii) possible, whenever sentences in both first and second instance and the Supreme Court are pending, as well as whenever, although SNAI's appeals have been accepted, the terms to the appeal before the Supreme Court by ADM have not elapsed yet.

Allegations by ADM regional offices related to the 2007 PREU
This dispute regards 12 notices issued by the regional offices of ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.

The aggregate amount of Penalties and PREU claimed is Euro 82,101.58 (Euro 49,683.24 in penalties + Euro 32,418.34 in PREU) plus interest.
SNAI has filed an appeal with the appropriate Provincial Tax Commission against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:

- in relation to one notice of assessment, ADM issued a decision for their cancellation as a form of self-remedy (and setting aside);
- for 2 proceedings, the ruling has been issued upholding the appeals filed by SNAI with ruling no. 62/13. Two appeals before the competent Regional Tax Commission were filed. SNAI filed counter-appeals and the hearing is to be set;
- for one proceeding, the hearing for discussion was held on 15 October 2015, at the end of which the Court rejected SNAI's appeal with sentence filed on 11 December 2015.
- for four proceedings, the hearings for discussion on the merits and suspension of provisional enforceability were held on 24 September 2015, at the end of which the Court upheld SNAI's appeals with sentences filed on 10 December 2105;
- for two proceedings, upon lifting its reservation of 16 October 2014, the Court rejected SNAI's appeals;
- for one proceeding, the Court suspended the temporary enforceability of the assessment notice and a hearing on the merits was held on 6 May 2015, at the end of which the Court reserved on the decision. A sentence is still awaited;
- for one proceeding, upon lifting of its reservation made at the hearing held on 4 July 2013, the Court rejected the suspension request and postponed the discussion to a new hearing. The hearing on the merits was held on 2 July 2015 and the Court, upon lifting its reservation, upheld the appeal with judgement 877/2015.

The risk of an unfavourable outcome can be deemed as (i) possible, whenever sentences in both first and second instance are pending, and if the sentences favourable to SNAI are objected by ADM, (ii) real (effective), whenever SNAI's appeals are rejected with sentences that are now res judicata, or (iii) remote only when the suspension request, filed by SNAI, is upheld, although the first instance sentence is still pending.

Allegations by ADM regional offices related to the 2008 PREU
This dispute regards eight notices and/or assessment notices issued by the regional offices of ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.
In particular:

- in relation to two notices, the amount of which is undetermined, for which SNAI filed defensive briefs before the appropriate Court. Given that the notice on the outcome related to the evaluation of defence deeds and the following assessment notice have not been delivered, the case can be considered as expired;
- in relation to six assessment notices (followed by four objections for which SNAI filed defensive briefs), for a total amount of approximately Euro 380,000.00, SNAI filed appeals against the above notices before the appropriate Courts. For two proceedings, the hearings were held on 8 July 2015 and 5 October 2015, respectively, at the end of which the Court rejected SNAI's appeals. For the other four proceedings, we are awaiting the dates to be set for the hearing on the merits and suspension.

The risk of an unfavourable outcome can be deemed as (i) remote when the objection notice is not followed by an assessment notice as meanwhile the terms have expired or (ii) possible when the first instance sentence is pending or if SNAI decides to object the sentences rejecting the claims.

Notices served by Regional Offices for exceeding the AWP quotes
This relates to 152 notices served by various regional offices of ADM, in which ADM contested the installation of a number of AWPs exceeding the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of making a reduced payment and it is not yet determinable. Pending assessment of the individual position, SNAI provided and/or will provide as follows:

- to make a reduced payment for 58 disputes amounting to approximately Euro 35,300.00;
- to submit defensive briefs for 92 disputes, of which 22 have been set aside;
- while for the remaining 70 (with a total value of around Euro 105,000.00) we are awaiting a reply by ADM.

Subsequently, on 31 December 2015:

- 4 objections were sent, for which SNAI provided for or will provide for the filing of documents within due terms;
- 2 orders for the setting aside reached the Company after the lodging of documents and meeting with ADM.

The risk of an unfavourable outcome can be deemed as possible when we are awaiting a reply by ADM to the documents deposited by SNAI, or remote when ADM issued a decision for cancellation as a form of self-remedy (and setting aside).

Quotes of 2 October 2012

Due to a malfunctioning on 2 October 2012, certain sporting events were offered and quoted, - for a few minutes only - with evidently incorrect quotes, in particular this related to Under/Over 5.5 and Under/Over, second half 0.5 bets.
Some players noticed the anomaly, took advantage of it and placed a series of straight and system bets, both on physical network and online through the website www.SNAI.it.
SNAI promptly informed ADM on the situation prior to events relating to those bets.
Certain gamblers have filed legal actions to obtain payment of their winnings.
SNAI settled various disputes out of Court and is planning to settle the remaining proceedings in the same way. These costs were covered by using a provision for risks previously set aside.
After 30 June 2015, the Court of Rimini, with order pursuant to Art. 702 bis of the Italian Code of Civil Proceedings, agreed with SNAI's defence and rejected the claims of a player. The order was appealed and the first hearing was held on 15 December 2015. SNAI appeared in Court in due terms, while objecting that the plaintiff's claims were groundless and the case was postponed on 19 May 2020 for discussion.

At present, the risk of an unfavourable outcome is remote given the complexity of the grounds of the sentence.

27. Sundry payables and other liabilities

Sundry accounts payable and other non-current liabilities are broken down as follows:

thousands of Euro	31.12.2015	31.12.2014	Change
Tax payables			
- instalments on assessment notice	-	64	(64)
- Instalments of flat-rate tax	317	438	(121)
	317	502	(185)
Other payables			
- instalments related to PREU for previous years	1,114	1,824	(710)
	1,114	1,824	(710)
Total sundry payables and other non-current liabilities	1,431	2,326	(895)

Other current liabilities are composed as follows:

thousands of Euro	31.12.2015	31.12.2014	Change
Tax payables			
- income tax	2,109	2,456	(347)
- VAT	1,556	797	759
- Flat-rate tax	4,864	4,963	(99)
- other tax debts	1,538	938	600
- Instalments of flat-rate tax	140	181	(41)
- instalments on assessment notice	67	405	(338)
	10,274	9,740	534
Payables to soc. sec. entities	1,938	2,093	(155)
Payables to subsidiaries	8,325	6,752	1,573
Other payables			
- to ADM for outstanding PREU	18,928	17,012	1,916
- to ADM for guarantee deposits ADI	2,821	2,638	183
- instalments related to PREU for previous years	782	846	(64)
- Payables from segment to ADM for stability law	11,223	0	11,223
- to winners and VLT jackpot reserve	10,162	10,063	99
- to ADM for concession instalment	1,691	1,582	109
- to gamblers for wins and refunds on national horse racing/sports forecast betting	1,302	1,659	(357)
- to ADM for outstanding PREU	907	1,115	(208)
- to ADM for expired tickets	349	288	61
- to ADM for Sports Forecast and National Horse Racing Betting Concession	1,345	1,724	(379)
- for SNAI Card gaming bards	6,356	6,086	270
- to gamblers for antepost betting	1,381	1,567	(186)
- to gamblers for wins in virtual events	211	225	(14)
- to On-line Gaming players (Skill/Casino/Bingo)	148	132	16
- to ADM	21,570	21,573	(3)
- to employees and collaborators	1,881	3,550	(1,669)
- to directors	376	418	(42)
- to auditors	178	136	42
- for guarantee deposits	3,485	2,865	620
- to others	3,285	2,223	1,062
	88,381	75,702	12,679
Accrued liabilities and deferred income:			
- accrued liabilities	163	52	111
- deferred income	12	17	(5)
	175	69	106
Total payables and others current passivity	109,093	94,356	14,737

The instalments payable on the tax assessment notice for a total of Euro 67 thousand concerned the settlement of the assessments and resulting acceptance of the tax assessment notices delivered in July 2013. The amount includes the tax, penalties e interest as defined in the final tax assessment notice, with acceptance granted on 26 July 2013 (for the year 2011), in which it was also agreed to extend payment through 12 quarterly instalments.
Payables related to the flat-rate tax payable in instalments, amounting to Euro 457 thousand, of which Euro 317 thousand being due after one year and Euro 140 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

The PREU payables related to instalments for previous years, amounting to Euro 1,896 thousand, of which Euro 1,114 thousand being due after one year and Euro 782 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2009 and 2010 PREU tax.

Payables to ADM for outstanding PREU, in the amount of Euro 18,928 thousand, are calculated from the gaming machine (ADI) transactions.

Payables of SNAI Group and the segment to ADM for the Stability Law, amounting to Euro 11,223 thousand, is related to provisions envisaged by the Stability Law, approved by the Parliament at the end of December 2014, which, amongst other, outlined that the total amount of Euro 500 million be charged to the distribution segment of gaming machines (both AWP and VLT). This amount is apportioned according to the number of machines referable to each single concession holder, as quantified by the Directorial Decree no. 4076/2015 issued by ADM on 15 January 2015. According to the aforesaid decree, the amount related to the distribution segment for gaming machines referable to SNAI is equal to Euro 37,792 million, 40% of the annual amount to be paid within 30 April 2015, and the remaining 60% within 31 October 2015 (see Notes 8, 18 and 19). On 30 April and 2 November, SNAI provided for the payment of a total amount of Euro 26.5 million in favour of ADM, according to the interpretation inferable from the Order and discussions undertaken with competent Authorities. This amount was made up of both the reduced portion of premiums and remunerations directly attributable to SNAI and the reduced portion of premiums and remunerations actually paid to SNAI at that date, by the other operators of the distribution segment of gaming machines (AWPs and VLTs). As at 31 December 2015, the Company has still payables to ADM, for Euro 11,223 thousand, and receivables from the network of equal amount, related to the amounts that were not repaid by operators within the segment. In light of opinions collected, the Company believes that it is not co-responsible as regards the above amounts. The Company duly informed ADM on the operator, within the segment, who did not pay, and on the related amounts that are still pending.

The item Other payables to ADM, totalling Euro 21,570 thousand, relates to draw downs which were offset by receivables (acquired or original) from the Di Majo Award. On 21 November 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. When ADM requires the payment, SNAI will have the faculty to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 20.

28. Trade payables

The trade payables are composed as follows:

thousands of Euro	31.12.2015	31.12.2014	Change
Trade payables			
- to suppliers	23,897	25,245	(1,348)
- to foreign suppliers	1,674	3,698	(2,024)
- to suppliers of subsidiaries	535	474	61
- to suppliers of affiliates	-	183	(183)
Total trade payables	26,106	29,600	(3,494)

29. Overdue accounts payable

As required by the Consob memorandum no. 10084105 of 13 October 2010, the following table shows the Company's accounts payable, itemised by type, with the amounts due stated separately.

(amounts in thousands of Euro)		
Current liabilities	Balance as at 31.12.2015	of which due on 31.12.2015
Financial payables	14,039	
Trade payables	26,106	5,503
Tax payables	10,274	
Payables to social security institutions	1,938	
Other payables	96,881	
	149,238	5,503

The amounts due as at 31 December 2015, i.e. Euro 5,503 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 31 December 2015. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

30. Financial commitments

In addition to what is stated regarding financial liabilities, SNAI has undergone financial commitments related to the granting of guarantees for a total amount of Euro 128,941 thousand as at 31 December 2015 (Euro 128,061 thousand as at 31 December 2014)

(amounts in thousands of Euro)

Bank	Beneficiary	Subject matter of the guarantee	Amount guarantee as at 31.12.2015	Amount guarantee as at 31.12.2014
UNICREDIT	ADM	To guarantee the opening of shops and sports betting points and activation of on-line sports gaming for the 2006 tender concessions. On 05.04.2011, the object (not the amount) of the guarantee was supplemented, and the max. guarantee was set to € 200,000 under Article 15 of the supplementary concession until 31.03.2012.	36,182	35,364
UNICREDIT	ADM	For the timely and exact payment of PREU and security deposit	23,042	22,914
UNICREDIT	ADM	As a guarantee securing the opening of horse racing gaming stores and points and the activation of on-line horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedure	16,835	17,176
UNICREDIT	ADM	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	15,120	11,579
UNICREDIT	ADM	Guarantee securing the concession for the acceptance of horse race bets	11,463	12,359
UNICREDIT	ADM	For proper performance, payment of amounts and issuance of authorizations for the instalment of VLT, AWP devices.	6,000	6,000
UNICREDIT	MIPAAF (former-ASSI)	For the supply of broadcasting, elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5,387	5,387
BNL	ADM	For the concession for the acceptance of horse racing and sports betting	4,262	4,262
BANCA DI CREDITO COOPERATIVO DI CAMBIANO	ADM	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	3,029	2,380
CREDART	ADM	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	1,960	1,960
UNICREDIT	ADM	ADM On-line games	1,725	1,840
CASSA DI RISPARMIO DI SAVONA	HIPPOGROUP ROMA CAPANNELLE	Pro-quota, several/non-joint bank guarantee in the interest of Hippogroup Roma Capannelle for the opening of a bank credit line EEPP	1,389	1,389
UNICREDIT	MEDIOCREDITO ITALIANO S.p.A.	Tim's phone top-ups	1,000	4,000
UNICREDIT	INLAND REVENUE OFFICE	For VAT reimbursement of 2014	512	-
BANCA DI CREDITO COOPERATIVO DI CAMBIANO	VODAFONE OMNITEL B.V.	To guarantee prompt and entire fulfilment of obligations related to the agreement	350	750
MISCELLANEOUS (incr. lower than Euro 200 thousands)			685	701
TOTAL			128,941	128,061

31. Related Parties

Consob Notice 6064293 of 28 July 2006 requires that, in addition to the disclosures required by IAS (International Accounting Standard) 24: "Related Party Disclosures", disclosures are provided on the impact on the earnings, net worth and financial position of the transactions or positions with related parties as classified by IAS 24.

The following table shows these impacts. The impact that these operations have on the economic results and cash flows of the Company must be analysed considering that the main existing relationships with related parties are exactly identical to the equivalent contracts with third parties.

The Company has accounts with Banca MPS, Intesa San Paolo, Poste Italiane, Banca CR Firenze S.p.A., Unicredit S.p.A. and Banco Popolare Società Cooperativa, which may be considered related parties to the SNAI Group.
Such operations are considered to be in the interest of the Company, are part of the ordinary course of business and are subject to the terms and conditions of the market.

It should be also noted that the year 2015 witnessed the share capital increase of a total amount, including nominal value and share premium, of Euro 140,000,000, with the issue of 71,602,410 ordinary shares of the Company, released through the contribution by king of a shareholding up to 100% the share capital of Cogemat S.p.A.
It is noted that this transaction is a transaction with related parties as (i) SNAI is a subsidiary of Global Games, a company 50% owned by Investindustrial IV L.P. through Global Entertainment S.A. and (ii) OI-Games 2 S.A., partner of Cogemat with a 72.22% shareholding, is an investee at 50% of Investindustrial IV L.P. (through International Entertainment S.A.).
To this purpose, it should be noted that the Board of Directors of SNAI S.p.A., after acknowledging the favourable opinion expressed by the Committee for Transactions with Related Parties, approved the Senior Bond Loan and the signature of the Agreement.

It should be noted that the Senior Secured Notes and the Senior Revolving Facility are also backed by a pledge on SNAI shares, issued by a majority shareholder of the Company. The related security agreement between the Company and the majority shareholder was submitted to the favourable binding opinion by the SNAI Related Party Committee.

The following table shows a summary of the relationships with the Company's related parties:

thousands of Euro	31.12.2015	% Impact	31.12.2014	% Impact
Trade receivables:				
- from Società Trenno S.r.l.	178	0.30%	218	0.46%
- from Finscom S.r.l. in liquidation	106	0.18%	-	0.00%
- from Snai Rete Italia S.r.l.	849	1.44%	-	0.00%
- from Festa S.r.l.	-	0.00%	2	0.00%
- from Teleippica S.r.l.	66	0.11%	70	0.15%
Total trade receivables	**1,199**	**2.03%**	**290**	**0.61%**
Other current assets:				
- from Società Trenno S.r.l.	62	0.20%	65	0.25%
- from Festa S.r.l.	-	0.00%	1,197	4.52%
- from Immobiliare Valcarenga S.r.l.	-	0.00%	86	0.32%
- from Teleippica S.r.l.	1,955	6.37%	1,468	5.54%
- from Alfea S.p.A.	-	0.00%	1	0.00%
Total other current assets	**2,017**	**6.57%**	**2,817**	**10.63%**
Current financial receivables:				
- from Società Trenno S.r.l.	5,940	20.40%	2,614	11.73%
- from Snai Rete Italia S.r.l.	2,949	10.13%	-	0.00%
- from Cogetech S.p.A.	375	1.29%	-	0.00%
Total financial receivables	**9,264**	**31.82%**	**2,614**	**11.73%**
Non-current financial receivables:				
- from Cogetech S.p.A.	110,738	98.42%	-	0.00%
Total non-current financial receivables	**110,738**	**98.42%**	**-**	**0.00%**
Total Assets	**123,218**	**12.95%**	**5,721**	**0.78%**
Trade payables:				
- to companies related to directors	30	0.11%	15	0.05%
- to Società Trenno S.r.l.	182	0.70%	141	0.48%
- to Finscom S.r.l. in liquidation	8	0.03%	-	0.00%
- to Snai Rete Italia S.r.l.	16	0.06%	-	0.00%
- to Festa S.r.l.	-	0.00%	3	0.01%
- to Teleippica S.r.l.	333	1.28%	330	1.11%
- to Connext S.r.l.	-	0.00%	183	0.62%
- to Cogetech S.p.A.	20	0.08%	-	0.00%
Total trade payables	**589**	**2.26%**	**672**	**2.27%**
Other current liabilities				
- to Società Trenno S.r.l.	6,747	6.18%	5,722	6.06%
- to Snai Rete Italia S.r.l.	1,195	1.10%	-	0.00%
- to Festa S.r.l.	-	0.00%	547	0.58%
- to Teseo S.r.l. in liquidation	383	0.35%	483	0.51%
Total other current liabilities	**8,325**	**7.63%**	**6,752**	**7.15%**
Current financial payables:				
- to Festa S.r.l.	-	0.00%	3,066	11.01%
- to Immobiliare Valcarenga S.r.l.	-	0.00%	255	0.92%
- to Teleippica S.r.l.	10,504	74.82%	1,612	5.79%
Total current financial payables	**10,504**	**74.82%**	**4,933**	**17.72%**
Total Liabilities	**19,418**	**2.40%**	**12,357**	**1.79%**

The following table shows the items vis-à-vis related parties having an impact on the income statement:

thousands of Euro	Year 2015	% Impact	Year 2014	% Impact
Revenues from services and chargebacks:				
- to companies related to directors	5	0.00%	1	0.00%
- from Società Trenno S.r.l.	235	0.05%	221	0.04%
- from Snai Rete Italia S.r.l.	42	0.01%	-	0.00%
- from Finscom S.r.l. in liquidation	8	0.00%	-	0.00%
Total revenues from services and chargebacks	**290**	**0.06%**	**222**	**0.04%**
Other revenues				
- from companies related to directors	-	0.00%	1	0.04%
- from Global Games S.p.A.	5	0.02%	6	0.24%
- from Società Trenno S.r.l.	566	1.72%	469	18.92%
- from Snai Rete Italia S.r.l.	19	0.06%	-	0.00%
- from Festa S.r.l.	-	0.00%	116	4.68%
- from Immobiliare Valcarenga S.r.l.	-	0.00%	12	0.48%
- from Teleippica S.r.l.	571	1.74%	514	20.73%
Total other revenues	**1,161**	**3.54%**	**1,118**	**45.09%**
Interest income:				
- from Società Trenno S.r.l.	401	13.88%	277	12.18%
- from Snai Rete Italia S.r.l.	309	10.70%	-	0.00%
- from Teleippica S.r.l.	2	0.07%	266	11.70%
- from Cogetech S.p.A.	1,009	34.93%	-	0.00%
Total interest income	**1,721**	**59.58%**	**543**	**23.88%**
Total Revenues	**3,172**	**0.60%**	**1,883**	**0.37%**
Costs for services and chargebacks:				
- from companies related to shareholders and directors	10	0.00%	3	0.00%
- from Società Trenno S.r.l.	510	0.14%	394	0.11%
- from Finscom S.r.l. in liquidation	975	0.27%	-	0.00%
- from SNAI Rete Italia S.r.l.	3,062	0.85%	-	0.00%
- from Festa S.r.l.	-	0.00%	5,425	1.53%
- from Teleippica S.r.l.	3,015	0.83%	3,019	0.85%
- from Cogetech S.p.A.	2	0.00%	-	0.00%
- from Connext S.r.l.	-	0.00%	600	0.17%
- from companies related to auditors	1	0.00%	-	0.00%
- from companies related to shareholders	-	0.00%	1	0.00%
Total costs for services and chargebacks	**7,575**	**2.09%**	**9,442**	**2.66%**
Costs of seconded personnel				
- from companies related to directors of parent companies	1	0.00%	-	0.00%
- from Cogetech S.p.A.	19	0.06%	-	0.00%
- from SNAI Rete Italia S.r.l.	5	0.02%	-	0.00%
- from Festa S.r.l.	-	0.00%	47	0.18%
Total costs of seconded personnel	**25**	**0.08%**	**47**	**0.18%**
Other operating costs				
- from companies related to shareholders and directors	12	0.03%	13	0.03%
- from Finscom S.r.l. in liquidation	(29)	-0.07%	-	0.00%
- from SNAI Rete Italia S.r.l.	(68)	-0.15%	-	0.00%
- from Società Trenno S.r.l.	(2)	0.00%	4	0.01%
Total other operating costs	**(87)**	**-0.19%**	**17**	**0.04%**

Interest expense and fees				
Interest expense to Festa S.r.l.	-	0.00%	139	0.23%
Interest expense to Immobiliare Valcarenga S.r.l.	-	0.00%	17	0.03%
Interest expense to Teleippica S.r.l.	443	0.74%	15	0.02%
Total interest expense and fees	**443**	**0.74%**	**171**	**0.28%**
Total Costs	**7,956**	**1.60%**	**9,677**	**2.01%**

The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 1.5% in 2015 (1.45% in 2014), whereas the total income impacts the profit/(loss) for the year in the amount of 6.6% in 2015 (6.75% in 2014).
The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 7.9% in 2015 (10.3% in 2014), whereas the total income impacts the profit/(loss) for the year in the amount of 16.6% in 2015 (34.7% in 2014).

Remunerations received by managers with strategic responsibilities during the year amounted to Euro 1,254 thousand, including Euro 510 thousand as a variable portion and Euro 744 thousand as base remuneration.

32. Financial risk management

The Company had financial liabilities principally comprising bond loans and finance leases. Such contracts are medium- to long-term.

On 4 December 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics: Euro 320,000 thousand bearing a 7.625% interest and denominated as Senior Secured Notes, with maturity term on 15 June 2018, and Euro 160,000 thousand bearing a 12.00% interest and denominated as Senior Subordinated Notes with maturity term on 15 December 2018.

On 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. On 28 July 2015, during refinancing related to the merger of Cogemat, the above-mentioned revolving line was increased by Euro 25,000 thousand with UniCredit S.p.A. as lending bank, at the same terms and conditions set out in 2013. The credit line now amounts to a total of Euro 55,000 thousand. The Senior Revolving Facility had not been used as at 31 December 2015.

On 20 July 2015, the Board of Directors of SNAI approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity term on 15 June 2018. Bonds were initially subscribed by J.P. Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed at qualified investors. The Bonds are listed on the Euro MTF market, organised and managed by the Stock Exchange of Luxembourg. As regards the merger with the Cogemat Group, revenues resulting from the issue of Bonds will be used by the Company for the early cash repayment of payables resulting from some loans related to Cogemat and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on 21 July 2015, for a total principal up to Euro 110 million, with maturity term on 15 June 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on yoy basis. The Bond issue and regulation took place on 28 July 2015.

High yield bond loans, representing the financial indebtedness of the Group as at 31 December 2015, except the 2013 bond loan of Euro 160,000 thousand, are guaranteed (like the revolving credit line, unused at the reporting date) by a number or collaterals and personal guarantees granted by the SNAI Group companies, including a) pledge on 50%, plus one share of SNAI share capital, consisting in a portion of Global Games, b) pledged on 100% of the shareholding in Teleippica S.r.l., comprising a portion of SNAI, c) pledge on some intellectual rights owned by SNAI, d) pledge on 100% of Cogemat share capital consisting in a portion of SNAI, e) transfer, as guarantee, of receivables owned by SNAI related to the intercompany loan granted by SNAI to Cogetech and lastly, f) personal guarantee of Cogetech and Cogemat. Moreover, the revolving credit line is guaranteed by a mortgage on some real estate properties owned by SNAI.

The Company's policy is to reduce to the extent possible its use of interest-bearing credit to fund its ordinary operations, reduce the collection periods for its trade receivables, to arrange timings and means of deferment in respect of trade creditors, and to plan and diversify the payment terms for its investments.

Financial Derivatives

As at 31 December 2012, the Company had two derivative instruments (interest rate swaps) in place, which were entered into to hedge the interest rate risk connected with the facility provided by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. The Company has elected to account for those derivatives under hedge accounting, as cash flow hedges in accordance with the rules of IAS 39.

The derivatives used by the Company for hedging purposes were redeemed during refinancing. Upon redemption, derivatives showed a fair value of Euro 6,094 thousand and a cash flow hedge reserve in the same amount.

In accordance with IAS 39, the Company will recognise the utilisation of the cash flow hedge reserve until its natural expiration (31 December 2015). The following table shows the movements in the cash flow hedge reserve (amounts in thousands of Euro):

Cash Flow Hedge reserve - Interest rate risk	31.12.2015
Initial reserve	(2,124)
Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness	-
Positive (+) / negative (-) reclassifications to income statement for cash flows which affected the income statement	2,124
Final reserve	-

Liquidity Risk

The liquidity risk is defined as the possibility that the Company will fail to keep its payment commitments due to the inability to raise new funds (funding liquidity risk), the inability to sell assets on the market (asset liquidity risk), or being be forced to sustain very high costs to meet its own commitments. The SNAI’s exposure to such risk is linked principally to the commitments under the loan transaction entered into in December 2013 with the issue of bond loans and the entering of a revolving facility unused as at 31 December 2015.

The following table shows an analysis by maturity terms based on contract redemption obligations which are not discounted and relate to bond loans, outstanding lease agreements as at 31 December 2015, and other liabilities. The cash flows are entered in the first timeframe where they may occur.

(amounts in thousands of Euros)

	Total cash flow	< 6 M	6 M < CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y
Senior Secured Notes	381,008	12,202	12,202	24,403	332,201
Senior Subordinated Notes	348,569	13,794	13,794	27,588	293,393
Leasing	1,312	452	820	39	1
Other liabilities	110,605	76,341	32,740	981	543

Interest Rate Risk

Within the framework of financing activities related to its ordinary course of business, the Company is exposed to interest rate risk which can be defined as the possibility that a loss could occur in the financial management, in terms of lower yield on an asset or greater cost of liabilities (existing and potential), as a result of changes in interest rates.

The interest rate risk therefore represents the uncertainty associated with the trend of interest rates.

As at 31 December 2015, the Company was not subject to interest rate risk as bond loans are at a fixed rate. The aim of the interest rate risk management is to protect the Group’s financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

Variable rate instruments expose the Company to variability in cash flows, while those at fixed rates expose the Company to the variability of fair value.

Credit risk

In order to reduce and monitor credit risk, SNAI has adopted organisational policies and instruments precisely for that purpose.

Potential relationships with debtors are always subjected to reliability analysis prior to the event, through the use of information from leading credit rating companies. The analyses are properly supplemented with objective and subjective elements when available within the Company, which gives rise to the reliability assessment. This assessment is subject to review on a regular basis or, where appropriate, wherever new information emerges.

The debtors of the Company (customers, directors of shops and game points, AWP and VLT operators etc.) are often acquainted and known to SNAI, thanks to their now well-established and long-standing presence in all the market service sectors, characterised by a limited number of licensed operators.

Various relationships are previously covered by guarantees or surety deposits, issued in favour of the Company based on the characteristics determined by the reliability assessment.
Established relationships are monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.
The receivables are regularly subjected to in-depth assessments. In particular, receivables are shown net of the relevant provisions for doubtful receivables. Accruals to the provision for doubtful receivables are recorded where there is objective evidence of difficulty in the Company's recovery of the receivable. Receivables which are 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 security that may be held or other instruments that may mitigate credit risk, is represented by their fair value.
The risk regarding the Company's other financial assets is in line with market conditions.

Exchange rate risk
None of the Company's operations constitute any significant exposure to exchange rate risk.

Capital management
The Company's capital management is aimed at ensuring a solid credit rating and appropriate levels of capital to support industrial activity and investment plans, in compliance with the contractual obligations undertaken with lenders.

The Company is subject to contractual restrictions in its loan agreements as regards distribution of dividends to its shareholders and issue of new shares.

The Group has analysed its capital in terms of net debt ratio, i.e. the ratio of net debt to shareholders' equity plus net debt. It is the Group's policy to seek to maintain a ratio of between 0.3 and 1.0.

33. Significant non-recurring events and transactions

During the fiscal year 2015, non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of 27 July 2006, as being those "components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business"), amounted to Euro 25,589 thousand and were mainly related to the following items:

- Euro 27,457 thousand, attributable to the transaction concluded on 19 February 2015 between SNAI, on the one side, Barcrest Group Limited and The Global Draw Limited on the other side, and their parent company Scientific Games Corporation, to settle a number of pending issues, which arose between the parties for the well-known events occurred in April 2012. In relation to the above-mentioned transaction, SNAI waived the actions in the Roman case that, at the same date, following the joint request submitted by the parties, was declared cancelled, with legal expenses offset, and reached an agreement with the above companies on pending cases and the payment of damages and costs already borne, including some guarantees on the cases themselves;
- Euro 1,015 thousand related to costs borne for the conclusion of the above-mentioned agreement.

34. Events or transactions arising from atypical and/or unusual transactions

No atypical and/or unusual operations took place during the year 2015.

35. Net financial position

As required by CONSOB Notification of 28 July 2006 and in accordance with the CESR Recommendation of 10 February 2005 "Recommendations for uniform implementation of European Commission Regulations on prospectuses", it should be noted that the Company's net financial position is as follows:

	(amounts in thousands of Euros)	31.12.2015	31.12.2014
A.	Cash on hand	137	155
B.	Other cash and cash equivalents	53,841	66,766
	- banks	53,069	66,440
	- postal accounts	772	326
C.	Securities held for trading	1	1
D.	**Liquidity (A)+(B)+(C)**	**53,979**	**66,922**
E.	Current financial receivables	9,264	2,615
	- financial current account with subsidiaries	8,889	2,615
	- interest on loan	375	0
F.	Current bank debts	66	40
G.	Current portion of non-current indebtedness	0	19,552
H.	Other current financial payables:	13,973	8,263
	- for interest on bond loans	2,166	2,148
	- financial current account with subsidiaries	10,504	4,932
	- for acquisition of sports and horseracing concessions	32	32
	- to other lenders	1,271	1,151
I.	**Current financial indebtedness (F)+(G)+(H)**	**14,039**	**27,855**
J.	**Net current financial indebtedness (I)-(E)-(D)**	**(49,204)**	**(41,682)**
K.	Non-current bank debts	0	0
L.	Bonds issued	573,030	463,561
M.	Other non-current payables:	39	1,208
	- to other lenders	39	1,208
N.	**Non-current financial indebtedness (K)+(L)+(M)**	**573,069**	**464,769**
O.	**Net financial indebtedness (J)+(N)**	**523,865**	**423,087**

It is worth nothing that, according to cash flows resulting from the 2016-2019 forecasts included in the Guidelines approved by the Board of Directors on 21 April 2016, the Company could be unable to fully repay its payables related to bond loans but, in line with a generally accepted market practice, the Company will be able to refinance the portion of indebtedness that is possibly still unpaid at maturity term.
The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,853 thousand, classified under item "current financial assets" on the balance sheet and the other non-current financial assets, equal to Euro 112,511 thousand (see Note 20).

With respect to the net financial indebtedness as at 31 December 2014, the net financial debt increased by Euro 104,127 thousand. The increase is mainly due to the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million (see Note 25). While considering the non-current financial assets as at 31 December 2015, amounting to Euro 110,000 thousand (related to the loan granted to the subsidiary Cogemat, which, in turn, refunded pre-existing payables) the change in net indebtedness is substantially negative, or shows a reduction of Euro 5,873 thousand.

35.1 Covenants

As is customary for loans of this kind, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 25, prescribe a number of obligations for the Group.

The above-mentioned agreements provide, in accordance with common practice in similar transactions, that the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the restrictions on the distribution of dividends until expiration of other bond loans, as well as restrictions on the early repayment of bonds, in taking on financial indebtedness and in making specific investments and disposing of corporate assets and properties. Events of default are also specified, which may make it necessary for the lenders to demand early repayment.
The Company has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A, Deutsche Bank S.p.A. and JP Morgan Chase Bank, N.A., Milan Branch, relating to a Senior Revolving loan for a total amount of Euro 55 million (for more information see Note 25).

In particular, we refer to the requirement to maintain a given minimum level of "Consolidated Pro-Forma EBITDA". "Consolidated Pro-Forma EBITDA" is defined in the loan agreement and indicates the consolidated earnings before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items.

The Company is also obliged to provide its lenders periodic information on its cash flows and income, and key performance indicators, regarding the Group, including EBITDA and net borrowings.

It is noted that, as at 31 December 2015, the Company was compliant with commitments and covenants.

36. Financial Instruments and information on fair value

The following table sets forth a comparison between the carrying values and fair values of all of the financial instruments and other Company assets and liabilities.

_	carrying amount		fair value	
thousands of Euro	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Financial assets and liabilities				
Cash on hand	53,978	66,922	53,978	66,922
Receivables	58,919	47,669	58,919	47,669
Current financial assets	29,119	22,277	29,119	22,277
Non-current financial assets	112,511	1,244	112,511	1,244
Current financial liabilities	14,039	8,303	14,039	8,303
Current portion of long-term borrowings	-	19,552	-	19,552
Non-current financial liabilities	573,069	464,769	573,069	464,769
Other Assets and Liabilities				
Other current assets	30,695	26,505	30,695	26,505
Other non-financial non-current assets	1,250	1,776	1,250	1,776
Shareholdings	161,171	18,702	161,171	18,702
Sundry payables and other non-current liabilities	1,431	2,326	1,431	2,326
Trade payables	26,106	29,600	26,106	29,600
Other liabilities	109,093	94,356	109,093	94,356

The fair value hierarchy, as defined by IFRS7, is as follows:

- Level 1: if the financial instrument is listed in an active market;
- Level 2: if the fair value is measured based on measurement techniques taking benchmark parameters that are observable on the market, other than prices of the financial instrument;
- Level 3: if the fair value is calculated based on measurement techniques taking benchmark parameters that are not observable on the market.

Measurement at fair value is performed based on methods classified under Level 2 of the fair value hierarchy, as defined by IFRS standards.
The Company has adopted internal valuation models, generally used in financial practice.

During 2015, no transfers occurred between fair value hierarchy Levels.

The management has assessed that the carrying amount of cash on hand and short-term deposits, as well as trade receivables and payables, bank overdrafts and other current liabilities are consistent with fair value due to the short-term expiration terms of these instruments.
The fair value of financial assets and liabilities is disclosed for the amount which might be exchanged in a current transaction between willing parties, rather than in a forced sale or in a liquidation procedure. The following methods and assumptions have been adopted in measuring fair value:

- long-term accounts receivable and loans, both with fixed and variable rate, are measured by the Group based on parameters like interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Allocations for expected expenses on these receivables are accounted for based on the above evaluations. As at 31 December 2015, the carrying amount of these accounts receivable, net of allocations, was substantially similar to their fair value;

- the fair value of bonds resulting from financial leases and other non-current financial liabilities is measured through future cash flows discounted by applying the current rates available for accounts payable with similar terms, such as credit risk and remaining expiration terms;
- the fair value of Company loans and borrowings is measured using the discounted cash flow method and a discount rate which would reflect the interest rate of the issuer at year-end. Insolvency risk for the Company as at 31 December 2015 was assessed as irrelevant;
- the fair value of debt instruments issued by the Company are measured using the discounted cash flow models based on current financing marginal rates for similar types of loans, with maturity terms consistent with the residual useful life of the debt instruments in question.

37. Events occurred after the period

37.1 Repayment of the ADM guarantee deposit
In March, the Company received a notice from ADM on the achievement percentage of service levels used to calculate the amount of Guarantee Deposit to be repaid in 2015. The Guarantee Deposit that the Company is expecting to receive from ADM amounts to around Euro 15 million.

37.2 ADM monitoring procedure on concession ratios of SNAI SpA
On 19 April 2016, ADM sent a notice to SNAI on the monitoring of concession ratios related to the unfulfillment of the indebtedness ratio and other ratios envisaged in the concession agreements, which has already been described in the section related to the company's ongoing evaluation. The indebtedness ratio was reinstated under the threshold value after the completion of the Cogemat transaction on 19 November 2015. Based on this notice, the Company believes that there is no risk that concessions will be denied due to the unfulfillment of covenants on the equity soundness.

37.3 Approval of the merger project
In the meetings of the Council held on 21 and 26 April, the Boards of Directors of SNAI S.p.A. and of the companies that are entirely, directly or indirectly investees (Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A.), approved the common project of merger into SNAI.
The above resolution is the natural evolution of the streamlining plan, implemented after the transaction in effect on 19 November 2015, aimed at simplifying the structure and better evaluating the current operating, administration and corporate synergies. Following the merger, in fact, all activities that were currently carried out by merged companies in the segment of wagers of gaming machines and bets, will be concentrated within SNAI. The latter will therefore take the place of the aforesaid companies in their assets and liabilities, without interruption.
Taking account that SNAI already holds the entire share capital of Cogemat, which, in turn, holds the entire share capital of CGT Gaming and Cogetech (owning the entire share capital of Azzurro), no SNAI shares will be assigned in exchange of shareholdings in the merging companies that are directly and indirectly owned. No share capital increase for SNAI is therefore envisaged for exchange purposes, nor changes in the number and characteristics of outstanding SNAI shares, or cash compensation are envisaged. The Articles of Association of the merging company shall not be amended in reason of the merger and the latter shall not entitle shareholders to exercise any withdrawal right.

37.4 Relations with Consob
The Company began the drawing up of the Information Statement on the admission to listing on the MTA, organized and managed by Borsa Italiana S.p.A., of 71,602,410 ordinary shared related to the share capital increase connected with the acquisition of the Cogemat Group. To this purpose, the authorization was asked to Consob, with the aim of obtaining permission to publish the Statement within the first half of 2016.

37.5 Ordinary inspection by UIF (Financial Intelligence Unit)
On 21 March 2016, the UIF (Financial Intelligence Unit) for Italy started an ordinary inspection at the Company, pursuant to articles 47 and 53, par. 4, of the Legislative Decree 231/07, in relation to further assessments on the reporting of suspicious transactions. The Company supplied the utmost collaboration and support to Authorities. The assessment ended on 15 April 2015.

37.6 Appointment of new CFO
Since January 2016, SNAI S.p.A. appointed Mr. Chiaffredo Stefano Rinaudo as Chief of the Group Administration, Finance and Control Management.

38. Fees for statutory audit and services other than auditing

The following table sets forth the amounts accrued in the year 2014 for auditing services provided by the Company's auditor.

Type of service		Entity that provided the service	Amount
			(amounts in thousands of Euros)
Accounting Audit		Auditing Firm	432.50
Services of attestation	(1)	Auditing Firm	820.00
Other services	(2)	Auditing Firm	170.00
Total			1,422.50

(1) The item refers to fees for services of attestation rendered to SNAI in connection with:
(i) the bond loan of Euro 110 million, issued in July 2015; (ii) the consistency notice and the information document prepared for the transfer of Cogemat shares and (iii) information statement, being prepared, for the listing request of shares issued against the transfer of Cogemat.
(2) The item includes fees (i) for the assistance in the drawing up of the financial sections of the Offering Memorandum related to the bond loan of Euro 110 million and (ii) for proceedings agreed on the calculation of financial covenants and some data related to a supplier of SNAI S.p.A. - the latter were mainly performed in the first months of 2016.

Other Disclosures

These Explanatory Notes are supplemented by the information reported in the annexes:

- Schedule 1: Detailed Statement of Shareholdings and Changes in the Year
- Schedule 2: List of subsidiaries
- Schedule 3: List of Affiliates and Other Shareholdings
- Schedule 4: Detailed Statement of Available Reserves
- Schedule 5: Information on the SNAI Group's Real Property Assets

The annexes form an integral part of these notes and provide additional details and explanation of the relevant items in the financial statements.

These financial statements are a true and faithful representation of the net worth, financial and earnings position for the fiscal year and reflect the accounting records.

for the Board of Directors
Fabio Schiavolin
(The Managing Director)

Milan, 26 April 2016

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The director assigned to the preparation of the corporate accounting documents, Marco Codella declares, pursuant to paragraph 5 Art. 154-bis of the Finance Act, that the accounting information contained in this consolidated financial statements corresponds to documented results, the bookkeeping and accounting records.

Detailed statement of shareholdings and changes in the year

amounts in thousands of Euro

	AMOUNTS AS OF 31.12.2014						CHANGES IN THE YEAR						NET AMOUNTS AS OF 31.12.2015	% owned
	COST NET	WRITE-UPS	note	WRITE-DOWNS	HISTORIC VALUE	MERGERS BY FUNCTIONS	ACQUISITIONS / COVERAGE OF LOSSES	DISPOSALS/SALES	WRITE-UPS -	WRITE-UPS +	WRITE-DOWNS -	WRITE-DOWNS +		
SHAREHOLDINGS														
SHAREHOLDINGS IN SUBSIDIARIES & AFFILIATES:														
- SOCIETA' TRENNO S.r.l.	14,218		*(1)*	(10,509)	3,709							(1,802)	1,907	100
- IMMOBILIARE VALCARENGA S.r.l.	228		*(2)*		228	(228)							0	-
- FESTA S.r.l.	1,000		*(2)*		1,000	(1,000)							0	-
- TELEIPPICA S.r.l.	12,241				12,241								12,241	100
- COGEMAT S.p.A.	-		*(3)*		-		141,823						141,823	100
- SNAI RETE ITALIA S.r.l.	-		*(4)*		-		6,510					(3,286)	3,224	100
- FINSCOM S.r.l.	-		*(5)*		-		4,003					(3,551)	452	52.97
- TESEO S.r.l. in liquidation	724		*(6)*	(724)	-								-	100
- SNAI OLE' S.A.	61		*(7)*	(61)	-								-	-
- SOLAR S.A.	9			(6)	3								3	30
- ALFEA S.p.A. SOC. PISANA CORSE CAVALLI	1,331			(42)	1,289								1,289	30.70
- HIPPOGROUP ROMA CAPANNELLE S.p.A.	649		*(8)*	(463)	186								186	27.78
- CONNEXT S.r.l. in liquidation	77		*(9)*	(77)	0								-	25
TOTAL SHAREHOLDINGS IN SUBSIDIARIES AND AFFILIATES:	**30,538**	**-**		**(11,882)**	**18,656**	**(1,228)**	**152,336**	**0**	**-**	**-**	**-**	**(8,639)**	**161,125**	
SHAREHOLDINGS IN OTHER COMPANIES:														
- LEXORFIN S.R.L.	46				46								46	2.44
TOTAL SHAREHOLDINGS IN OTHER COMPANIES:	**46**	**-**		**-**	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**	
TOTAL	**30,584**	**-**		**(11,882)**	**18,702**	**(1,228)**	**152,336**	**0**	**-**	**-**	**-**	**(8,639)**	**161,171**	

Note:

(1) On 27 July 2006, the Shareholders' General Meeting of the company Ippodromi San Siro S.p.A. (formerly Trenno SpA) voted to form the limited liability company "Sport e Spettacolo Ippico", which changed its own company name to "Società Trenno S.r.l.", which was assigned the business line with effect from 20 Sept. 2006.

On 19 May 2014, the Shareholders' Meeting was called to evaluate the company's state of affairs as of 31 March 2014 and deliberate as per Art. 2428 bis of the Italian Civil Code. The General Meeting resolved on the covering of the loss for 2013, amounting to Euro 6,041,780, through the use of reserves available, already increased by Euro 5,000,000 after the waiver, occurred on 15 May 2014, of part of the amount due from the company Trenno S.r.l. to the shareholder SNAI S.p.A..

On 31 December 2014 and on 31 December 2015, the shareholding was written down to reflect the impairment loss reported in the two years.

(2) On 24 November 2014, the merger deed was signed envisaging the incorporation into SNAI S.p.A. of the companies Festa S.r.l. and Immobiliare Valcarenga S.r.l. On 5 December 2014, the merger deed was recorded in the pertaining Register of Companies related to the companies taking part in the merger. The merger, as well as the accounting and tax effects became effective on 1 January 2015.

(3) On 5 May 2015, SNAI S.p.A. signed an agreement with OI Games S.A. e OI Games 2 S.A., majority shareholders of Cogemat S.p.A., envisaging the merger of the assets of the Cogemat/Cogetech Group with the assets of the SNAI Group through a transfer into SNAI's share capital. On 13 July 2015, the investment agreement was signed between SNAI, Majority Shareholders and International Entertainment S.A. (50% shareholder of OI Games 2 S.A., equally with OI Games S.A.). On 19 November 2015, the transfer of the entire share capital of Cogemat S.p.A. into SNAI was completed. Due to this transaction, SNAI acquired 100% of Cogemat share capital.

(4) On 3 April 2015, the company named Snai Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10,000. On 12 November 2015, the Shareholders' Meeting of SNAI Rete Italia assessed the company's state of affairs as of 31 October 2015 and resolved on the covering of the loss for a total amount of Euro 6,500.00 after the waiver, for the same amount, of part of the amount due from the same subsidiary to the shareholder SNAI S.p.A.. As of 31 December the value of the shareholding was in line with equity value. Moreover, € 6,378 thousand were allocated to the provisions for risks and charges to cover residual loss accrued in 2015.

(5) On 1 April 2015, SNAI S.p.A. entered with Finscom S.r.l., in liquidation and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on 8 April 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom. Following the waive by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09. At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.

On 29 September 2015, the Shareholders' Meeting of Finscom S.r.l. analysed the company's state of affairs as of 31 August 2015 and resolved on the coverage of the loss, in the amount of Euro 2,553,252.60, through the use of reserves available, the entire use of the share capital, the waive of receivables from SNAI and the use of part of capital contributions paid by SNAI Rete Italia. The Shareholders' Meeting also resolved on the re-establishment of Finscom's share capital (Euro 25,000), held by SNAI S.p.A. (53.97%) and by SNAI Rete Italia S.r.l. (47.03%) and the establishment of reserves for a total amount of Euro 760,000. As of 31 December, the value of the shareholding was aligned with the equity value.

(6) On 23 September 2014, SNAI S.p.A. and SNAI Servizi S.r.l. signed an agreement with the aim of mutually transferring shareholdings of joint-stock companies. SNAI S.p.A. became the owner of the entire share capital of Teseo S.r.l. in liquidation. SNAI S.p.A. also transferred to SNAI Servizi S.r.l. (now Obiettivo 2016 S.r.l.) its entire shareholding in Tivù + S.p.A. in liquidation, equal to 19.5% of the company's share capital, made up of 101,400 ordinary shares. The shareholding in Teseo S.r.l., in liquidation, was entirely written-down and the provision for risks was adjusted to the maximum charge foreseen for the liquidation.

(7) As of 31 December 2011, the shareholding was entirely written-down. On 18 December 2014, the "winding-up and liquidation" deed was signed before the Notary Joaquin Vincente Calvo Saavedra. The deed was recorded in the Trade Register in view of the subsequent write-off of the company, occurred on 25 February 2015.

(8) On 18 November 2009, the Board of Directors of Hippogroup resolved to increase the share capital from Euro 815,000 to reach the amount of Euro 2,315,000.00 by issuing 12 million shares with a par value of Euro 0.125 each. Following that operation, SNAI S.p.A. subscribed the share capital increase in proportion to its share of the capital and its prorated entitlement to the shares for which subscription options had not been exercised. As of 31 December 2009, the amount of the shareholding represented the cost incurred up to that date-equal to the reduced value of the shareholding after the share capital reduction (Euro 225 thousand) and to the amount of 2.5/10 of its stake in the share capital (26.67) paid on 22 December 2009 in the amount of Euro 100 thousand - less the write-down of Euro 144 thousand.

On 14 December 2010, the share capital increase operation of Hippogroup Roma Capannelle S.p.A. was completed; that operation had been decided upon by the Board of Directors (pursuant to Article 2443 of the Italian Civil Code) on 18 November 2009. Upon completion of that increase, the share capital of Hippogroup Roma Capannelle S.p.A. amounted to Euro 2,315,000.00 fully paid subscribed and paid up, and the stake of SNAI S.p.A. amounted to 27.78%. During 2010, payments were made for a total amount of Euro 325 thousand and as of 31 December, the value of the shareholding was written down by Euro 306 thousand, taking account of losses accrued up to 30 November 2010. During 2011, the shareholding was written down by Euro 13 thousand, taking account of losses accrued as of 31 December 2010.

(9) On 4 February 2015, the Shareholders' Meeting of Connext S.r.l. resolved on the liquidation of the company; on 31 December 2014, the value of the shareholding was entirely written down.

List of subsidiaries

NET INCOME/(LOSS) AS OF 31.12.2015 (*)	PRO-QUOTA PROFIT/(LOSS)	UNIT PAR VALUE SHARES/QUOTAS	SHARE CAPITAL	SHAREHOLDINGS	REG. OFFICE	SHARES/QUOTAS OWNED	ACQUISITION VALUE	ADJUSTED RESERVE	DIRECT	INDIRECT	TOTAL	SHAREHOLDER S' EQUITY AS OF 31.12.2015	PRO-QUOTA CAPITAL	Note
Euro/000	Euro/000	Euro	Euro/000			Qty	Euro/000	Euro/000	%	%	%	Euro/000	Euro/000	
(1,843)	(1,843)	1,932,230	1,932	SOCIETA' TRENNO S.R.L.	MILAN	1	14,218	(12,311)	100		100	1,907	1,907	
1,049	1,049	2,540,000	2,540	TELEIPPICA S.R.L.	PORCARI	1	12,241	-	100		100	12,747	12,747	
(13,229)	(13,229)	10,000	10	SNAI RETE ITALIA S.R.L.	PORCARI	1	2,903	-	100		100	(6,738)	(6,738)	
(3,133)	(3,133)	25,000	25	FINSCOM S.R.L.	MANTOVA	1	451	-	52.97	47.03	100	205	205	
(8,222)	(8,222)	1	35,176	COGEMAT S.P.A.	MILAN	35,175,563	141,823	-	100		100	34,405	34,405	
(150)	(150)	1,032,000	1,032	TESEO S.R.L. in liquidation	PALERMO	1	724	(724)	100		100	(152)	(152)	(1)
(25,528)	**(25,528)**		**40,715**				**172,360**	**(13,035)**				**42,374**	**42,374**	

Note:

(*) The financial statements of Società Trenno S.r.l., Teleippica S.r.l., Snai Rete Italia S.r.l. were prepared according to IFRS principles; all the others were prepared according to Italian accounting principles.

(1) The profit/loss for the year and the shareholders' equity refer to the situation reported to the liquidator as at 31.12.2014.

List of Affiliates and Other Shareholdings

REFERENCE FY	NET INCOME/(LOSS) FINANC. STATEMENTS (*)	PRO-QUOTA NET INCOME/(LOSS)	UNIT PAR VALUE SHARES/QUOTAS OWNED	SHARE CAPITAL	SHAREHOLDINGS	REG. OFFICE	SHARES/QUOTAS OWNED	ACQUISITION VALUE	ADJUSTED RESERVE	SHAREHOLDING DIRECT %	INDIRECT %	TOTAL %	SHAREHOLDERS' EQUITY - FIN. STAT. (*)	PRO-QUOTA CAPITAL VALUE (**)
	Euro/000	Euro/000	Euro	Euro/000			Qty	Euro/000	Euro/000				Euro/000	Euro/000
2014	(24)	(6.00)	0.51	82	CONNEXT S.r.l. in liquidation	PORCARI	40,000	77	(77)	25		25	177	44.25
2011	(206)	(61.80)	2.00	31	SOLAR S.A.	LUXEMBOURG	4,650	9	(6)	30		30	11	3.30
2014	(203)	(56.39)	0.051	945	HIPPOGROUP ROMA CAPANNELLE S.p.A.(Former SOC. GESTIONE CAPANNELLE S.p.A.)	ROME	5,145,028	649	(463)	27.78		27.78	3,718	1,032.86
2015	247	75.83	1.00	1,006	ALFEA S.p.A. - SOC.PISANA PER LE CORSE CAVALLI	PISA	305,840	1,331	(42)	30.7		30.7	4,737	1,454.26
2015	(7)	(0.17)	36,652.50	1,500	LEXORFIN S.r.l.	ROME	1	46		2.44		2.44	1,528	37.28
	(193)	**(48.53)**						**2,112**	**(588)**				**10,171**	**2,571.95**

(*) The financial statements of the associates and other shareholdings were prepared according to Italian accounting principles.
(**) The pro-quota shareholders equity approximates the amount measured using the equity method.

Detailed Statement of Available Reserves

(amounts in Euro)

	Amount	Possible utilisation (1)	Share available	Summary of uses in previous 3 years		
				to cover losses		for other reasons
Share Capital	97,982,245		-			
Capital reserves:						
Share premium reserve	102,155,260	A, B	102,155,260	154,344,700	(2) (4)	
Merger surplus reserve	188,071	A, B, C	188,071			
Profit Reserves:						
Legal Reserve	-	B	-	-		
Merger surplus reserve	2,018,211	A, B, C	2,018,211			
Untaxed reserves (under tax suspension):						
Merger surplus reserve	119,345	A, B, C	119,345		(5)	

Total	104,480,887
Non-distributable portion (3)	104,480,887
Residual distributable portion	-

A: for capital increase
B: for coverage of losses
C: for 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 2012, 2013 and 2014
3) Including the non-distributable portion, earmarked to cover losses for fiscal year 2015 and reserves to top up the share premium reserve required by
4) The share premium reserve is posted net of the reserves resulting from application of the IAS/IFRS accounting principles
5) The untaxed reserves (under tax suspension) related to revaluation reserves, as per Law 72/83 and 413/91 of the merged company Immobiliare Valcarenga S.r.l., is subject to taxation when distributed.

Information on the SNAI Group's Real Property Assets

REAL PROPERTY ASSETS AS AT 31 December 2015

IPPODROMI Milan and Montecatini	Uom	GALOPPO SAN SIRO	CENTRO ALLENAMENTO GALOPPO	TROTTO La Maura	TROTTO MONTECATINI	Former TROTTO SAN SIRO	Former CENTRO ALLENAMENTO GALOPPO	TOTAL sq. m
AREA IPPODROMO	sq. m	608,820	582,662	171,400	154,142	131,480	17,806	1,666,310
RACECOURSES	miles - sq. m	2805 ml - 178,000 sq. m	-	1,050 ml - 35,872 sq. m	805.30 ml - 16,941 sq. m		-	
INTERNAL TRAINING RACETRACK	ml	-	RACETRACK TRENNO 2,503 ml RACETRACK MAURA 1,520 ml	910 ml	588.87 ml		-	
TRAINING ROUNDABOUTS		3130 sq m - no. 4	6401 sq m - no. 5	-	675 sq m - no. 1		-	
STANDS AND PART.	no. of seats	STAND - WEIGHT 808 GRANDSTAND 2,408 UNCOVERED STAND - ARTIERI IPPICI 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		-	
HORSEBOXES	No.	304	551	143	474	305	280	
PARKING LOTS	No.	1,243	465	75	1,039	631	-	

REG.OFFICE and HEADQUARTERS .... Porcari	Uom	BUILDINGS	FIELDS AND ROADS	TOTAL sq. m
VIA BOCCHERINI no. 39	sq. m	1,300	2,000	3,300
VIA BOCCHERINI no. 57	sq. m	1,569	2,371	3,940
VIA LUCIA no. 7	sq. m		3,440	3,440
TOTAL PROPERTY				**1,676,990**

Certification related to the annual financial statement pursuant to articles 154 bis, paragraph 5, Legislative Decree 58/98

1. The undersigned, Fabio Schiavolin, in his capacity as Managing Director of SNAI S.p.A., and Marco Codella in his capacity as the executive in charge of the preparation of the accounting and corporate documentation of SNAI 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 statement as of and for period ended 31.12.2015.

2. In such regard, no noteworthy matters have emerged.

3. It has also been certified that:

   3.1 The annual 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 capital, economic and financial situation of the issuer as well as of the group of companies included in the consolidation perimeter.

   3.2 The 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.

   This certification is rendered also pursuant to and for purposes of art. 81-ter of Consob Regulation No. 11971 dated 14 May 1999, as subsequently amended and supplemented.

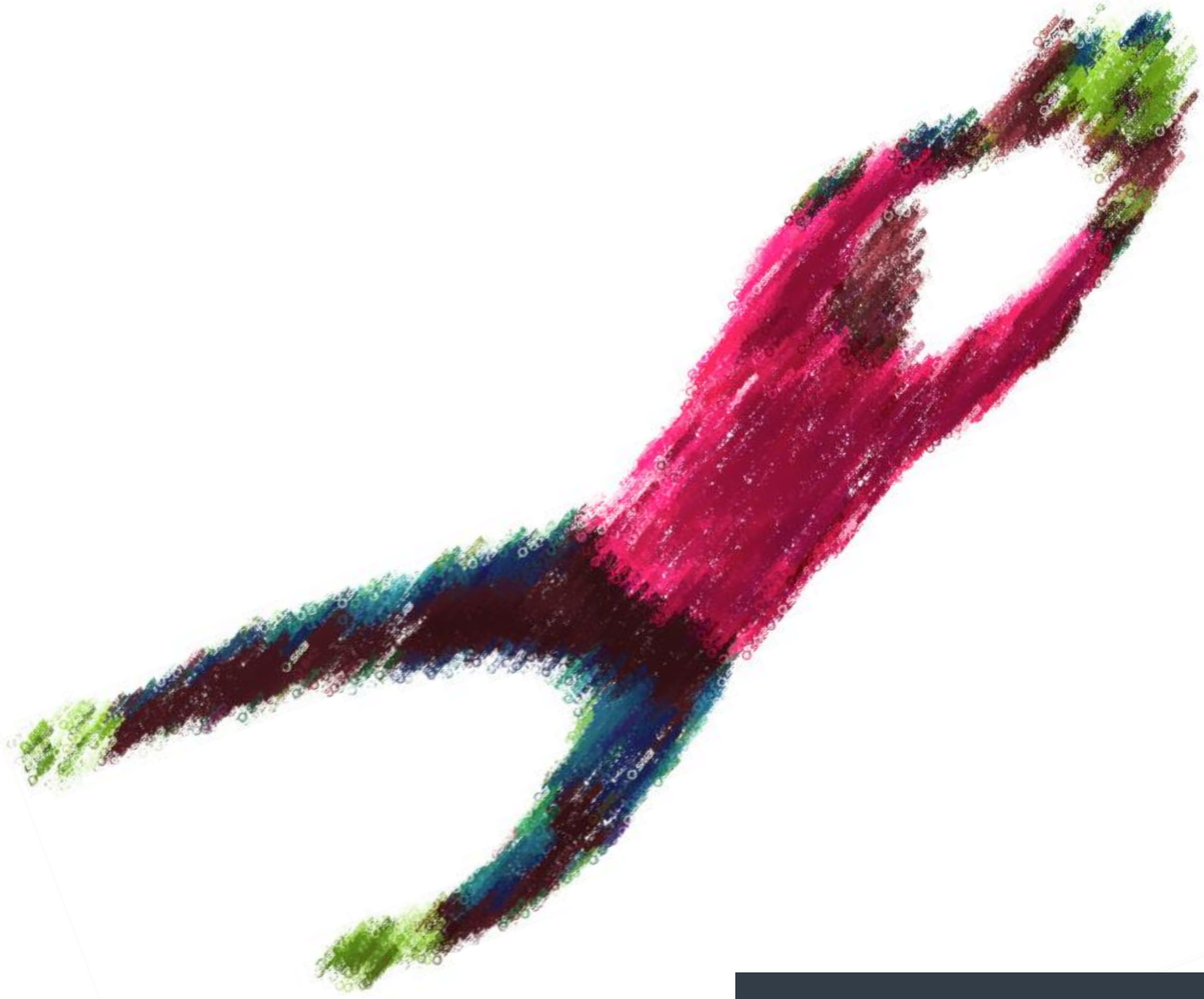
Milan, 29th April 2016

Chief Executive Officer

(Fabio Schiavolin)

The executive rresponsible for the preparation of the corporate and accounting documents

(Marco Codella)



SNAI GROUP
CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES – 31.12.2015

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SNAI Group - Consolidated Statement of Income and Other Comprehensive Income

amounts in thousands of Euro	Note	For the year ended 2015	of which Related Parties Note 34	of which non-recurring Note 36	For the year ended 2014	of which Related Parties Note 34	of which non-recurring Note 36
Revenues from sales and services	5	599,263	5		525,551	1	
Other revenue	6	32,546	6	30,789	1,930	7	
Change in inventory of finished and semi-finished products		(16)			-		
Costs of raw materials and consumables	7	(518)			(917)		
Costs for services and use of third party assets	8	(439,594)	(223)	(2,714)	(357,873)	(692)	
Costs of personnel	9	(45,110)	(1)		(35,969)		
Other operating costs	10	(52,802)	(12)	(4,308)	(40,610)	(15)	
Capitalised internal construction costs	11	1,392			1,539		
Operating income before amortization, depreciation, write-downs, interests and taxes		**95,161**			**93,651**		
Amortization, depreciation and write-downs	12	(70,249)			(58,669)		
Other provisions	29	(11,271)			(72)		
Operating income		**13,641**			**34,910**		
Gains and expenses from shareholdings		135			(548)		
Financial income		1,192			1,742		
Financial expenses		(60,827)			(60,138)		
Total financial expenses	13	**(59,500)**			**(58,944)**		
LOSS BEFORE TAXES		**(45,859)**			**(24,034)**		
Income taxes	14	(8,372)			(2,048)		
Net loss		**(54,231)**			**(26,082)**		
Loss from re-measurement on defined benefit plans after taxes		(129)			(288)		
Items that will not be reclassified subsequently to statement of income		**(129)**			**(288)**		
Gain on cash flow hedges net of income tax effect		2,124			2,124		
Loss from available-for-sale financial assets		(100)			-		
Items that may be reclassified subsequently to statement of income		**2,024**			**2,124**		
Total comprehensive income net of taxes	25	**1,895**			**1,836**		
Total comprehensive loss for the year		**(52,336)**			**(24,246)**		
Attributable to:							
Loss for the year attributable to equity holders of the parent		(54,231)			(26,082)		
Loss for the year attributable to non-controlling interests		-			-		
Total loss for the year attributable to equity holders of the parent		(52,336)			(24,246)		
Total loss for the year attributable to non-controlling interests		-			-		
Basic loss per share in Euro	26	(0.44)			(0.22)		
Diluted loss per share in Euro	26	(0.44)			(0.22)		

SNAI Group - Consolidated statement of financial position

amounts in thousands of Euro	Note	As of December 31, 2015	of which Related Parties Note 34	As of December 31, 2014	of which Related Parties Note 34
ASSETS					
Non-current assets					
Property, plant and equipment		144,207		140,142	
Property, plant and equipment under financial lease		2,936		3,782	
Total property, plant and equipment	15	**147,143**		**143,924**	
Goodwill		306,203		231,531	
Other intangible assets		166,057		102,857	
Total intangible assets	16	**472,260**		**334,388**	
Investments accounted using the equity method		2,490		2,318	
Other investments		50		46	
Total investments	17	**2,540**		**2,364**	
Deferred tax assets	18	100,160		80,004	
Other non-current non-financial assets	21	3,304		1,967	
Non-current financial assets	22	1,773		1,244	
Total non-current assets		**727,180**		**563,891**	
Current assets					
Inventory	19	641		486	
Trade receivables	20	136,169		58,486	
Other current assets	21	58,272		24,509	1
Current financial assets	22	21,432		19,663	
Cash and cash equivalents	23	107,588		68,629	
Total current assets		**324,102**		**171,773**	
TOTAL ASSETS		**1,051,282**		**735,664**	
LIABILITIES AND NET SHAREHOLDERS' EQUITY					
Shareholders' equity attributable to equity holders of the parent					
Share Capital		97,982		60,749	
Reserves		91,874		13,434	
Net loss of the year		(54,231)		(26,082)	
Total Shareholders' Equity attributable to equity holders of the parent		**135,625**		**48,101**	
Shareholders' Equity attributable to non-controlling interests					
Total Shareholders' Equity	24	**135,625**		**48,101**	
Non-current liabilities					
Employee termination indemnities	27	8,641		4,602	
Non-current financial liabilities	28	573,101		464,769	
Deferred tax liabilities	18	70,937		58,593	
Provisions for risks and charges	29	27,099		10,838	
Other non-current liabilities	30	6,264		2,336	
Total non-current liabilities		**686,042**		**541,138**	
Current liabilities					
Trade payables	31	42,365	30	32,385	201
Other liabilities	30	183,686	383	91,117	484
Current financial liabilities		3,564		3,371	
Current portion of long-term loans		-		19,552	
Total financial liabilities	28	**3,564**		**22,923**	
Total current liabilities		**229,615**		**146,425**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,051,282**		**735,664**	

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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in thousands of Euro)

	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Reserve for the re-measurement of Employee termination indemnities (IAS 19)	Treasury share reserve	Retained earnings/(loss)	Loss for the year	Shareholders' Equity attributable to equity holders of the parent	Shareholders' Equity attributable to non-controlling interests	Total Shareholders' Equity
Balance as of January 1, 2014		60,749	1,559	108,282	(4,248)	(432)	-	967	(94,530)	72,347	-	72,347
Loss for the year 2013				(94,336)				(194)	94,530	-		-
Profit/(loss) for the year									(26,082)	(26,082)		(26,082)
Other comprehensive profit/(loss) net of taxes	25				2,124	(288)	-			1,836		1,836
Total comprehensive profit/(loss) as of December, 31,.2014		-	-	-	2,124	(288)	-	-	(26,082)	(24,246)		(24,246)
Balance as of December 31, 2014		**60,749**	**1,559**	**13,946**	**(2,124)**	**(720)**	**-**	**773**	**(26,082)**	**48,101**	**-**	**48,101**
	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Reserve for the re-measurement of Employee termination indemnities (IAS 19)	Treasury share reserve	Retained earnings/(loss)	Loss for the year	Shareholders' Equity attributable to equity holders of the parent	Shareholders' Equity attributable to non-controlling interests	Total Shareholders' Equity
Balance as of January 1, 2015		60,749	1,559	13,946	(2,124)	(720)	-	773	(26,082)	48,101	-	48,101
Capital increase		37,233		102,627						139,860		139,860
Loss for the year 2014	24		(1,559)	(13,946)				(10,577)	26,082	-		-
Profit/(loss) for the year									(54,231)	(54,231)		(54,231)
Other comprehensive profit/(loss) net of taxes	25				2,124	(129)	(111)	11		1,895		1,895
Total comprehensive profit/(loss) as of December, 31,.2015		-	-	-	2,124	(129)	(111)	11	(54,231)	(52,336)		(52,336)
Balance as of December 31, 2015		**97,982**	**-**	**102,627**	**-**	**(849)**	**(111)**	**(9,793)**	**(54,231)**	**135,625**	**-**	**135,625**

SNAI Group - Consolidated Cash Flow Statement

	amounts in thousands of Euro	Note	For the year ended as of December 31, 2015	of which Related Parties Note 35	For the year ended as of December 31, 2014	of which Related Parties Note 35
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Net loss for the year attributable to equity holders		(54,231)		(26,082)	
	Net loss for the year attributable to non-controlling interests		-		-	
	Amortization, depreciation and write-downs	12	70,249		58,669	
	Net change in deferred tax assets and liabilities	18	6,047		(695)	
	Change in provision for risks and charges	29	10,509		(5,779)	
	Gains/(loss) on disposal of non-current assets		538		1,085	
	Share of profit/losses) of associates	13	(135)		548	
	Net change in non-current assets and liabilities	21-30	(4,822)		(841)	
	Net change in current assets and liabilities	19-20-21-31-30	(651)	(272)	14,635	(391)
	Net change in Employee termination indemnities	27	915		(182)	
	CASH FLOW FROM OPERATING ACTIVITIES (A)		**28,419**		**41,358**	
B.	**CASH FLOW USED IN INVESTING ACTIVITIES**					
	Investments in property, plant and equipment	15	(9,479)		(10,844)	
	Investments in intangible assets	16	(5,859)		(7,746)	
	Business combination	4	(1,300)		-	
	Acquisition of shareholdings in subsidiaries, net of acquired cash and cash equivalents	4	38,156		-	
	Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		631		130	
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		**22,149**		**(18,460)**	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Change in financial r assets	22	9,328		(1,493)	
	Change in financial liabilities	28	1,068		1,735	
	Repayment of Serie B Notes	28	(20,000)		-	
	Repayment of financial loans of Cogemat		(54,740)		-	
	Repayment of bond loans of Cogemat		(53,925)		-	
	Redemption of hedging derivative of Cogemat		(473)		-	
	Issue of bond loans		107,273		-	
	Ancillary charges - capital increase		(140)		-	
	Changes in liabilities due to betting agencies for the acquisition of concession licensees	28	-		(10)	
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		(11,609)		232	
D.	**CASH FLOWS FROM ASSETS CLASSIFIED AS HELD FOR SALE (D)**					
E.	**CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)**		38,959		23,130	
F.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**		68,629		45,499	
G.	**NET EFFECT OF EXCHANGE RATES ON CASH AND EQUIVALENTS**					
H.	**CASH AND CASH EQUIVALENTS AT THE END THE PERIOD (E+F+G)**	**23**	**107,588**		**68,629**	
	RECONCILIATION OF CASH AND CASH EQUIVALENTS:					
	CASH AND CASH EQUIVALENTS NET OF SHORT-TERM DEBTS AT THE BEGINNING OF THE PERIOD:					
	Cash and cash equivalents		68,629		45,499	
	Bank overdrafts					
	Discontinued operations					
			68,629		**45,499**	
	CASH AND CASH EQUIVALENTS NET OF SHORT-TERM DEBTS AT THE BEGINNING OF THE PERIOD:					
	Cash and cash equivalents		107,588		68,629	
	Bank overdrafts					
	Discontinued operations					
			107,588		**68,629**	

Interest paid during the year 2015 amounted to around Euro 51,670 thousand (Euro 48,787 thousand in 2014).

Taxes paid during the year 2015 amounted to around Euro 5,417 thousand (Euro 237 thousand in 2014).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and accounting standards

Consolidation area

SNAI S.p.A. (hereinafter also referred to as the "Parent" or the "Company") has its registered office at Via Luigi Boccherini, 39 Porcari (LU) - Italy. Schedule 1 sets forth the composition of the SNAI Group.

The consolidated financial statements of the SNAI Group as of December, 31 2015 comprise the financial statements of SNAI S.p.A. and the following subsidiaries, which are consolidated on a line-by-line basis:

- Società Trenno S.r.l. with a sole quotaholder
- Teleippica S.r.l. with a sole quotaholder
- SNAI Rete Italia S.r.l.
- Finscom S.r.l.
- Cogemat S.p.A.
- Cogetech S.p.A.
- Cogetech Gaming S.r.l.
- Azzurro Gaming S.p.A.
- Fondazione IziLove Foundation

The consolidation scope changed with respect to December, 31 2014, due to the followings:

- on November 24, 2014 the acquisition deed was signed envisaging the incorporation into SNAI S.p.A. of the companies Festa S.r.l. with a sole quotaholder, and Immobiliare Valcarenga S.r.l. with a sole quotaholder, in execution of the acquisition resolutions issued by the appropriate Bodies of each Companies on July 28 and July 31 2014. The acquisition was effective on January 1, 2015, after registration of the deed in the competent Company's Registers. Also accounting and tax effects became effective on that date. The acquisition had no impact on the consolidated financial statements as it was an intercompany transaction;
- on December 18, 2014 the "winding-up and liquidation" deed of the company SNAI Olè SA was signed before the Notary Joaquin Vincente Calvo Saavedra. The deed was recorded in the Trade Register in view of the following write-off of the company. The company was written off from the Trade Register on February 25, 2015.
- on April 3, 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was established with share capital of Euro 10 thousand, also aimed at the acquisition of shareholdings in companies managing sales points, as well as of the centralisation and management of direct sales points;
- on April 1, 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l., in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on April 8, 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom. Following the waive by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438. At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.
- On March 25, 2015, SIS S.r.l., in liquidation ("SIS"), was admitted to the agreement with creditors with decree issued by the Court of Rome. For this purpose, SIS published a call for interest for the rental and following purchase of a business unit, which includes 55 sales points managed by this company according to agreements with SNAI. SNAI S.p.A. therefore asked and obtained to be admitted to the selection opened by the SIS proceeding and submitted a fixed, binding and irrevocable offer, with the term of 45 days, for the rental and purchase of the business unit. SNAI S.p.A.'s offer, drawn up also in the name and on behalf of the subsidiary SNAI Rete Italia S.r.l. The offer of SNAI S.p.A. was deemed as the most convenient and, on July 7, 2015 SNAI Rete Italia signed an agreement for the rent and the commitment for the purchase of a business unit of SIS, effective on July 22, 2015. By virtue of the above, in the second half of 2015 fifty-four shops were reopened.
- On November 19, 2015, the company SNAI S.p.A. acquired 100% of the share capital of Cogemat S.p.A: through the increase of the capital, which is instrumental to the transfer of the capital of the latter. Cogemat S.p.A. owns: 100% of the share capital of Cogetech Gaming S.r.l., Cogetech S.p.A. and Fondazione IziLove Foundation. Cogetech S.p.A. owns the entire share capital of Azzurro Gaming S.p.A. These companies were consolidated on a line-by-line basis on November 1, 2015.

The financial statements of the companies included in the consolidation scope ended December 31 coinciding with the Parent company's year-end. Such financial statements are opportunely reclassified and adjusted in order to align them with the IFRS accounting standards and valuation criteria used by the Parent (reporting package). Such financial statements and reporting packages were approved by the respective management bodies.

The comparability of the 2015 consolidated financial statements with those of the previous year is therefore affected by the business combinations described in Note 4, as duly highlighted in the tables of the movements for the year and related comments on the single items of the financial statements.

The consolidated financial statements as of December 31, 2015 were approved by the directors of the Parent Company at the board of directors' meeting held on April, 26 2016 and then authorized for publication as provided by law.

1.1. Directors' consideration on going concern assumptions

The financial condition and operating results of the SNAI Group are characterised by: (i) negative results, partly due to unforeseeable events (also including, for 2015, the net extraordinary income of Euro 26.4 million, resulting from the transaction with Barcrest Group Limited), as well as significant amortisation and depreciation charges and financial expenses, (ii) significant intangible assets compared to shareholders' equity, further decreased due to the losses incurred, (iii) high level of indebtedness, with limited cash flows available for the reduction due to the absorption of liquidity by the investments that are typical of the business and the financial expenses.

As of December 31, 2015 the Group recorded a net loss of Euro 54.2 million, including a positive net effect related to non-recurring items amounting to Euro 23.8 million, mainly regarding to the Barcrest transaction. Net financial indebtedness of Euro 467.6 million is mainly composed of bond loans issued and subscribed on December 4, 2013 (Euro 320 million and Euro 160 million) and on July 28, 2015 (Euro 110 million), to be repaid in 2018.

The Directors also report that the operative results in 2015 are lower than the same period of the previous year as well as expectations, despite the positive effect of the Barcrest transaction. The business performance of the year compared to the forecast report is characterised by: (i) lower than expected revenues and margins from sports betting, mainly due to a higher payout, which reached 82.2%; (ii) lower wagers from concession segment mainly due to some critical issues (already solved) connected to a portion of the distribution network gaming points (Finscom and SIS gaming points); (iii) lower revenues and margins generated by bets on virtual events and horse racing, partly due to the critical issues connected of some gaming points.

Moreover, Directors reported that the acquisition of Cogemat Group, completed on November 19, 2015, allowed for the increase in share capital in the amount of around Euro 37.2 million, and more generally the increase in Shareholders' Equity, in the amount of Euro 140 million. Following to the same transaction, the Shareholders' Equity as of December 31, 2015 amounted to Euro 135.6 million, compared to Euro 48.1 million as of December 31, 2014. The financial condition and the operating results had a limited impact during the period 2015 from the acquisition because Cogemat Group was included in the consolidation area only in the last two months of the year.

In addition to the effects on Shareholders' Equity and indebtedness, Directors underline that the three business combination, which characterised the year 2015 (Cogemat, SIS e Finscom), define a new consolidation area of the SNAI Group, with a

- wider and deeper distribution network (63 new owned sales points, disseminated over the entire national territory);
- higher market share in the Gaming Machines segment (second Italian operator with over 15% of market share);
- more balanced product mix of Gaming Machines and Betting revenues;
- minor EBITDA portion affected by the oscillation of payout on sport betting.

In this context, there are still uncertainties, some of which beyond the exclusive power of Directors, connected with uncertainty of successful future events and with the features of the reference market. These uncertainties might affect margins and the Group's future refinancing capacity.

Therefore, the SNAI Group's going concern is subject to the following factors:

- Renewal of concessions for the network of sales points of betting segment, to be due on June 30, 2016. The Company aims at renewing its concessions for the networks of sales points of betting segment because it plays an important role in its operations. Based on information available on the characteristics of the tender related to betting renewal, as set out by 2016 Stability Law, the Directors deems that the Group will be able to obtain the renewal of all the concessions currently managed.

  With respect to concessions it should also be noted that, during 2015, ADM sent a notice to SNAI as regards the infringement, breach of some equity ratios, as provided for by the gaming concession agreements. The gaming concession set out that the concession holders should maintain certain "equity requirements" to prove the fulfilment of some equity ratios which, if unfulfilled over a prolonged period of time, would theoretically result in a procedure related to the expiration or revocation of concessions. The Directors supported by (i) the compliance of the principal ratio (net indebtedness/shareholders' equity ratio) as of December 31, 2015, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is remote and (iii) the written confirmation received by ADM that the proceeding started is only for monitoring purposes, believe that there are no risks resulting from the unfulfillment of the "equity requirements" that might affect the maintenance or renewal of concessions.
- The SNAI Group's capacity to generate adequate cash flows. Directors deem that SNAI's consolidated Business Plan approved on 12 March 2015 contains forecasts that are no longer updated by reason of the merger of the Cogemat Group into the SNAI Group and the new macro-economic and regulatory context in which the SNAI

Group operates. At the moment he Directors are in the process of preparing the new consolidated Business Plan, and on April 21, 2016 they approved the new guidelines of the plan for the period 2016-2019 ("2016-2019 Guidelines"), based on which the Directors also made the main assessments and evaluations for the 2015 financial statements.

The new consolidated Business Plan is currently under definition and to be completed for the estimates connected to the following scenarios: (i) estimates on timing and investments connected with the tender for new concessions on the network of betting sales points, to be due on June 30, 2016, (ii) further savings that are expected from SNAI-Cogemat merger and (iii) benefits from the reorganization of the network of shops owned by Finscom and SIS.

Based on estimates contained in the 2016-2019 Guidelines, the SNAI Group deems it appropriate to aim at the growth in wagers over the next few years (this will result in increased revenue and margin) through a number of initiatives including increased on-line offer and an increased offer related to virtual events.

In addition, benefits are expected in terms of reduced operating costs and optimization of investments resulting from the merger with the Cogemat Group, as well as from wagers connected with the re-opening of 63 SIS and Finscom sales points. Moreover, the combined effects of novelties, introduced in the segment of gaming machines by the 2016 Stability Law, will have a limited impact on the SNAI Group's margins in the first months of 2016 and, prospectively, substantially no impact with respect to a progressive reduction in payout permitted for Gaming machines (AWPs).

Lastly, the 2016-2019 Guidelines reflect the reduction of amortisation, depreciation and financial expenses due to (i) the renewal of concessions for the network of betting sales points to be due on June 30, 2016, with an estimated investment based on indications set out by the 2016 Stability Law that are significantly lower that the historical cost currently recognised in the financial statements and (ii) the use of cash resulting from operations for the partial reimbursement of the Group's indebtedness.

In this context, uncertainties connected with the Group's performance should decrease by effect of (i) the new product mix of the Group and the related increase in gaming machines wagers, (ii) possible improvement of payout performance on sports betting connected to a new agreement that better align the interests of the network with SNAI's ones, and (iii) the new taxation on betting, which is calculated on margin and no longer on wagers, thus reducing the tax costs in case of unfavourable payouts.

- The Group's ability to refund the loans upon maturity, or to refinance its indebtedness. The SNAI Group believes that it will be able to achieve a progressive improvement in operating result and to generate adequate operating cash flows to support the investments that are required to develop the business of the Group and to partially redeem or refinance loans, also through the issue of new financial instruments. Moreover, taking in to the account (i) the relevant indebtedness of the SNAI Group, (ii) the negative results incurred in the past years and (iii) the uncertainty in the relevant market, it's should be underlined that the non-renewal of a significant portion of the current concession rights and/or the non-generation of adequate results and cash flows and/or the non-redemption, upon maturity term, of actual financial indebtedness, or its refinancing, might affect the going concern of the Group, unless additional capital resources and/or credit lines are found, which are still to be defined.

As conclusion the Directors believe that, although in the presence of the foregoing uncertainties, objectivises set out in the 2016-2019 Guidelines are reasonable and the Group has the capacity to continue as a going concern. Accordingly the Directors have prepared the financial statements based under the going concern assumptions.

On the other hand, the same Directors acknowledged the necessity to constantly monitor the results, to timely assess performance deviations that might have a negative impact on the Group and the current and future achievement of an economic, equity and financial equilibrium.

1.2. Accounting standards

(a) General principles

The consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS), in force as of such date, issued by the International Accounting Standards Board and endorsed by the European Commission.

The accounting standards adopted for the preparation of these consolidated financial statements are consistent with those used to prepare the consolidated financial statements as of and for the year ended December, 31 2014, except for the adoption of the new or reviewed International Accounting Standards and International Financial Reporting Interpretations. The adoption of such amendments and interpretations did not have any significant effects on the Group's financial position or net result.

The term IFRS refers to the reviewed International Financial Reporting Standards and International Accounting standard (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC), adopted by the European Union.

Amendments to the new standards and interpretations applied as from January 1, 2015

In accordance with paragraph 28 of IAS 8, the IFRSs that have come into effect as from January 1, 2015 and are applied by the Group are summarized and briefly illustrated below.
The various amendments to the accounting standards applied for the first time in 2015 had no impact on the consolidated financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for levies not before the occurrence of the event to which the payment is connected, in compliance with applicable law. As regards payments that are due only upon the overcoming of a specific minimum threshold, the liability is recorded only when such threshold is reached.

Annual Improvements 2010-2012 Cycle
Improvements will be effective for annual periods beginning on or after 1 February 2015 and relate to the following issues:
IFRS 2: Definition of "*Vesting Condition*s";
IFRS 3: Recognition of "*contingent consideration*" in a *business combination*;
IFRS 8: Disclosure on the aggregation of operating segments;
IFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets;
IFRS 13: Short-term receivables and payables;
IAS 16/IAS 38: Revaluation model: proportional *restatement* of accumulated amortisation and depreciation
IAS 24: Considered as related party of a management company which supplies management services with key responsibilities.

Annual improvements 2011-2013 Cycle
Improvements relate to the following issues:
IFRS 3: It is clarified that this standard is not applicable while accounting the conclusion of a joint-control agreement;
IFRS 13: Modified application field of paragraph 52 (portfolio exception).
IAS 40: Clarifications on the relation of IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when the real estate property is classified as investment property or property owner-occupied.
This cycle of improvements had no impact on the Group's financial statements.

Standards issued but not yet in effect
This section shows the standards which had already been issued at the reporting date of the Company's financial statements, but had not yet entered into effect. The list refers to the standards and interpretations that the Company reasonably expects will be applicable in the future. The Company intends to adopt these standards once they enter into effect.

Amendments to IFRS 11 - Joint Arrangements: Acquisition of an interest
The amendments to IFRS 11 envisage that a joint operator, who reports the acquisition of an interest in a joint control contract in which the activity of the joint operation constitutes a business, should apply the principles as defined in IFRS 3 on the basis of the business combinations guidance. The amendments clarify that, in the event a joint control is maintained, the interest previously held in a joint-control agreement shall not be re-measured upon the acquisition of another interest. Moreover, for clarification purposes, the following was excluded from the object of the IFRS 11. Amendments are not applicable when the parties in a joint control, including the entity that prepares the financial statements, are subject to the control of the same ultimate controlling entity. Amendments are applicable to both the acquisition of the initial interest in a joint-control agreement, and the acquisition of any further interest in the same joint-control agreement. Amendments should be applicable prospectively to the annual periods beginning on or after January 1, 2016. Early application is permitted. No impact on the Company is expected for the application of these amendments.

Amendments to IAS 16 and IAS 41: Agriculture - bearer plants
The amendment clarifies that living plants that are used solely in the production of agricultural products over the various years (bearer plants), should be subjected to the same accounting treatment as per property, plant and equipment, according to standard IAS 16 Property, Plant and Equipment, as the concept is similar to manufacturing production. Amendments should be applicable prospectively to the annual periods beginning on or after January 1, 2016. Early application is permitted. No impact on the Company is expected for the application of these amendments.

IFRS 9 - Financial Instruments
In July 2014, IASB issued the final version of IFRS 9 Financial Instruments, which reflects all the project steps related to financial instruments and supersedes IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment loss and hedge accounting. IFRS 9 is applicable to the annual periods beginning on or after January 1, 2018. Early application is permitted. The standard shall be applied retrospectively, although the supply of comparative information is not compulsory. The early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the first-time adoption is before 1 February 2015. The Company is currently evaluating the impact of IFRS 9.

IFRS 16 – Leases
The standard sets out that, unlike in the past, leases be presented in the company's financial statements, thus improving the disclosure of their assets and liabilities. IFRS 16 cancels the distinction between operating and financial leases (for the lessee) and all lease agreements should be treated as financial leases. Short-term leases (within 12 months), and those in which the underlying asset has a low value, are excluded from recognition requirements. The new Standard was issued on January 13, 2016 and will be effective on January 1, 2019. Early application is permitted provided that the recent standard IFRS 15 - Revenue from Contracts with Customers be applied.

IFRS 15 Revenue from Contracts with Customers
The IFRS 15 standard was issued in May 2014 and provides a five-step new model to be applied to all contracts with customers. According to IFRS 15, revenue should be recognised for an amount corresponding to the right in payment the entity believes to have against the sale of goods or services to customers. This standard envisages a more structured approach in recognising and measuring revenue, while replacing all current requisites envisaged in the other IFRS as regards recognition of revenue. IFRS 15 is applicable to the annual periods beginning on or after January 1, 2018, with full or modified retrospective application. Early application is permitted. The Company is currently evaluating the impact of IFRS 15.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments clarify the principle, included in IAS 16 and IAS 38, that revenues reflect a model of economic benefits generated by the management of a business (in which the asset is embodied), rather than the consumption of the economic benefits when an asset is used. As a result, a method based on revenues cannot be used for depreciation of real estate properties, plant and machinery and could be used only in very restricted circumstances when amortising intangible assets. Amendments should be applicable prospectively to the annual periods beginning on or after January 1, 2016. Early application is permitted. No impact on the Company is expected while applying these amendments, given that the Company does not use revenue-based methods for the amortisation/depreciation of non-current assets.

Amendments to IAS 1: use of judgement in disclosures related to the financial statements
The amendments to IAS 1 clarify some elements perceived as restrictions to the use of judgement by the persons in charge of preparing the financial statements and are effective for annual periods beginning on or after January 1, 2016. Early application is permitted.

Amendments to IAS 7 - Cash Flow Statement
Improvements concern disclosure requirements of changes in liabilities arising from cash flows as well as of changes that do not arise from cash flows (e.g. exchange gains/losses). Amendments were issued on January 29, 2016 and will be effective on January 1, 2017.

Amendments to IAS 12 - Income tax
IASB clarifies that deferred tax assets, related to unrealised losses on debt instruments measured at fair value, should be recognised. Amendments were issued on January 19, 2016 and will be effective on January 1, 2017.

Amendments to IAS 27: The equity method in separate financial statements
The amendments will reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and affiliates in an entity's separate financial statements. Entities that are already applying the IFRS standards and elect to modify the accounting principles by adopting the equity method to their separate financial statements should apply the amendment retrospectively. In the event of fist-time adoption of IFRSs, the entity that elects to adopt the equity methods in the separate financial statements should apply this standard at the transition date to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. No impact on the Company's financial statements is expected for the application of these amendments.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: application of the exception to consolidation
The amendment clarifies the critical issues resulting from applying the exception to consolidation, as envisaged for investment entities, and it is effective for annual periods beginning on or after January 1, 2016. Early application is permitted.

Annual cycle of IFRS improvements - 2012-2014
Improvements will be effective on or after January 1, 2016 and relate to the following issues:
IFRS 5: Guideline to reclassification of disposal methods;
IFRS 7: Further guideline to service agreements and applicability of IFRS7 to interim financial statements;
IAS 19: Clarification on the discount rate;
IAS 34: Clarification on the meaning of "in other sections of the interim financial statements".
Further developments on this amendment.

The accounting layouts adopted by the SNAI Group for the fiscal period ended on December 31, 2015 have not changed from those adopted on December 31, 2014.
The Group has not opted for an early adoption of any standard, interpretation or improvement issued, but not yet in effect.

Reporting format of the Financial Statements

The format adopted by the Group is the following:

Consolidated statement of financial position

Consolidated Statement of Financial Position present separately current and non-current assets and current and non-current liabilities and, for each asset and liability, the amounts that are expected to be settled or recovered within or beyond 12 months the reporting date of the financial statements.

Comprehensive consolidated Income Statement

Comprehensive Consolidated Income Statement is presented by nature, as better as provides explanatory information.

Statement of Changes in Consolidated Shareholders' Equity

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

Consolidated Cash Flow Statement

The Cash Flow Statement shows the cash flows deriving from operating, investing and financing activities. The cash flows from operating activities are presented using the indirect method, whereby the net result for the year or the period is adjusted for the non-monetary items, the deferral or accrual of previous or future proceeds or operating payments and revenues or costs related to cash of investing or financing activities.

With respect to disclosures in the financial statements as of December 31, 2014, the following items were reclassified to improve disclosure of items in the Income Statement:

- from item "Revenue from sales of goods and services" to item "Other revenue and income", in the amount of Euro 652 thousand, mainly related to revenues from organisation and technology sales;
- from item "Costs of third-party services and leasing/rental expenses" to item "Other operating costs", in the amount of Euro 142 thousand, related to the tax on prize betting for Euro 70 thousand and urban waste tax for Euro 72 thousand.

(b) Basis of preparation

These consolidated financial statements, the amounts of which are expressed in Euro and rounded to the thousands, have been prepared on the general historic cost basis, except for real estate properties, plants and machinery measured at deemed cost as defined below, and derivatives (fixed quota and reference betting) and investment in other and shareholdings in other companies registered at fair value.

Uncertainty of estimates

In applying the Group's accounting standards, management has made decisions based on key assumptions concerning the future and other important sources of uncertainty in valuation at the reporting date, which may cause adjustments to the carrying amounts of assets and liabilities. In particular, the goodwill is subject to a test to verify at least on an annual basis if there are permanent loss in value. This test requires to estimate 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, that is used to assess the value of such asset, involve a certain amount of uncertainty related to every prediction. Therefore, they may, in the future, give rise to corrections in accounting values due to the actual realization of the assumptions posed at the base of the estimates and, more specifically, the Group's capacity to achieve its 2016-2019 budget objectives, as set out in the Guidelines approved by the Group's Board of Directors on 21 April 2016.

Use of estimates

To draw up the financial statements in accordance with the IFRS, the company's management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the reporting date of the financial statements. Estimates and the related assumptions are based on 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 revised on a regular basis.

Any changes arising from revised estimates are recognized in the period when the change in carried out.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are describe below.

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 for unused tax losses, to the extent that there is likely that taxable profit will be available against which the losses can be utilised. Significant management judgment require to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategy.

Provisions
The Group makes accruals mainly in connection with legal proceedings. The assessment of the accruals, given the complexity of the regulatory framework under which the Group operates, is the result of a complex process which involves subjective judgments from the company's Management.

The accounting standards describes below have been applied consistently by all of the consolidated companies of the SNAI Group.

(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.

In general, there is the presumption that the majority of its rights to vote involves the control. To support this presumption, and when the Group holds less than the majority of the rights to vote (or similar rights), the Group considers all relevant facts and circumstances to define whether it holds control on the investment entity, including:

- Agreements with other holders of rights to vote;
- Rights resulting from agreements;
- Rights to vote and potential right to vote of the Group.

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.
The subsidiary Teseo S.r.l. in liquidation is not fully consolidated, the consolidation of which would not have produced material financial, economic and asset-related effects. Teseo S.r.l. in liquidation has been assessed using the equity method and the effects on consolidated results of operations and consolidated shareholders' equity correspond to what would have resulted from its full consolidation.

Associates
Associates are entities over whose financial and management policies the Group exercises considerable influence, while not having control over the same. 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 Associates is entered in the statement of the financial position at cost and increased by changes to the net assets of the Associates, after the acquisition, for the quota pertaining to the Group. The goodwill pertaining to the Associate is included in the carrying value of the shareholding and is not subject to amortisation. The income statement reflects the quota pertaining to the Group of the Associate's results for the year or the period. In the event that an Associate registers adjustments directly applied to shareholders' equity, the Group recognises the pertinent quota and discloses it, where applicable, in the statement of changes in shareholders' equity.
Where the quota of losses of an Affiliate pertaining to the Group exceeds the carrying amount of the shareholding in such affiliate, the Group cancels its shareholding and ceases to record its quota of additional losses except it, and to the extent that, the Group has contracted legal or implicit obligations, or has made payments on behalf of the affiliate company.

Transactions eliminated in the consolidation process
For the purpose of consolidation, all intra-group balances and transactions, revenues and costs are eliminated in full.

Unrealized profits arising from transactions with associates and joint ventures are eliminated proportionally to the investment of the group in the entity. Unrealized 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.

Transactions in foreign currency
Transactions in foreign currency are converted at the exchange rate in effect on the transaction date.
Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the income statement as financial income or expense.

Non-monetary items are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(d) Property, Plant and Equipment

Property, Plant and equipment
Property, plant and equipment are recognized at cost or cost replacement, net of accumulated depreciation and impairment losses (see principle f). The cost includes ancillary cost that are directly applied and the initial estimate, where necessary, of cost of dismantling and removal of the asset and restoration of the site on which it was installed and, lastly, an adequate quota of cost of production for assets constructed internally until the moment in which the asset is in the necessary condition to produce revenue.

Such cost includes the costs for replacement of a portion of the equipment and plant in the moment in which they are incurred, if they comply with the recording criteria. When significant part of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement, if the recognition criteria is satisfied.

All other repair and maintenance costs are recognised in the income statement as incurred.

If property, plant and equipment the building, plant and machinery are comprised of various components having different useful lifetimes, such components are accorded separately consist of various components with different useful lives, each such components are recorded separately.

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.

Property, Plant and equipment under leases
Assets purchased using financial leasing agreements, through which all risks and benefits related to the ownership of the asset are essentially transferred to the Group, are registered as assets at their fair value or, if lower, at the current value of minimum payments due for the leasing, including the amount to be paid for the exercise of the purchase option.
The corresponding liabilities owned to the lessor are stated in the financial statements among the financial liabilities.
The minimum payments outstanding due for the leasing are sub-divided among financial liabilities. The minimum payments outstanding due for the leasing are sub-divided among financial cost and reduction of remaining debt. The financial costs are allocate among the financial years of the leasing term in order to obtain a constant interest rate on the remaining liability.
The assets under lease are amortized over the useful lifetime of the assets (as indicated below) and are stated on the financial statements on a net basis deducting such amortization any lasting losses in value.
The costs related to the operating leasing agreements are stated in the income statement along the term of the leasing agreements at constant rates.

Depreciation
Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the related assets. Land is not subject to depreciation. Property, plant and equipment are depreciated as follows:

- Buildings: from 3% to 20%;
- Plants and equipment: from 10% to 20%;
- Industrial and commercial equipment: from 10 to 15.5%;
- Other assets: from 12% to 33%.

The carrying value of the assets, the useful lives and the methods applied are revised on an annual basis 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 amortized at the lower term as between the useful life of the asset and the term of the concession.

Derecognition
An asset recorded as property, plant and equipment is derecognised from the financial statements at the moment of

sale or when no future economic benefits are expected to be derived from its use or divestment. 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 the above-mentioned 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 and is not subject to amortization but is tested for impairment annually or more frequently (when specific events or changes of circumstances indicate the carrying amount may be impaired). 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 produced internally are recognized in the Statement assets in accordance with the provisions of IAS 38 - Intangible Assets, when it is likely the use of the asset will generate future economic benefits and when the cost of the asset may be determined reliably.
Intangible assets are initially recognized at cost of purchase or production cost and, thereafter, less any amortisation, which is determined at a constant rate over the estimated useful life.

Research costs are expensed as incurred.

Other intangible assets include capitalized cost for software internally generated.

Costs related to internally generated goodwill and trademarks are expensed in the fiscal year in which they are incurred.

Following initial recognition costs related to intangible assets are capitalised only when they increase the expected future economic benefits attributable to specific assets. All other costs are expensed as incurred.
Concessions, licences, trademarks and similar rights are capitalised only if they increase the expected future economic benefits attributable to these assets.
All other subsequent expenses are charged to the income statement in the year in which they are incurred.

Amortisation
Amortisation of intangible assets is recognised in the income statement on a straight-line basis of constant quotas throughout the useful lives, with the exception of goodwill which is not amortized, but is tested for annually impairment by the Group. Impairment test is performed, in any case, on each annual reporting date of the financial statement. Intangible assets with a definite useful lives are amortized from the moment in which the asset becomes available for use.

A summary of the policies applied to the Group's intangible assets are as follows:
- rights of patent and use of copyright: from 10% to 65.8%;
- concessions, licences, trademarks and similar rights: from 5.56% to 33.3%;
- horseracing and sport concession and horseracing and sports rights: on the term of concessions to be due between June 2016 and March 2022;
- other: from 10% to 66.67%.

(f) Impairment of non-financial assets

The Group tests annually the carrying amounts of its assets to identify any reduction in value. 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 assessed on each reporting date.
The recoverable amount higher of the fair value of the asset and cash-generating unit's fair value, 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 losses in value of cash generating units firstly reduce the carrying amount of any goodwill attributed to the cash-generating unit and, then, reduce the other assets proportionally 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) Reversal of impairment loss

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior year.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value, assessed using the first in first out (FIFO) method. Initial cost of inventories includes the direct costs of labour and materials and the indirect costs (both variable and fixed). Obsolescence provisions are calculated for products considered to be obsolete or slow moving, taking into account their expected use in the future and their estimated selling price. In this regard, periodically we assess the realizable value and the obsolescence provision is reversed in the income statement when the provision is utilized.

(i) Investments 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.

Investments in other companies and available-for-sale financial assets
Investments 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 initial value restored when the conditions no longer exist, for write-down made with allocation of effects to 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.

Investments in other companies currently held by the Group, are assessed at cost rather than at fair value since the latter cannot be reliably estimated.

Other companies and financial assets available for sale
The Group verifies on each reporting date whether the investment 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.

(j) 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.

Amortised cost
Financial assets held to maturity and loans and receivables are measured at amortised cost. The amortised cost is calculated using the effective interest rate method less any provisions for long-term impairment. The calculation takes any premiums or discounts upon acquisition into account and includes any transaction costs and fee that form an integral part of the effective interest rate.

Impairment of loans and receivables
The Group assess, at each reporting date, whether is objective evidence that a financial asset or a group of financial assets is impaired.
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 recognised in the income statement.
If, in a subsequent period, the amount of impairment is reduced for a reason that is objectively attributable to an event that occurred after the recognition of the impairment, the amount that was reduced may be reversed trough the income statement.
If, in a subsequent period, the amount of impairment is reduced for a reason that is an objectively attributable to an event that occurred after the recognition of the impairment, the amount of the asset is reduced through a provision for impairment.
The carrying amount of the receivable is reduced through the use of specific provision. Receivables subject to loss of value are derecognized when it is determined that they are no longer recoverable.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity that are readily convertible into cash and that are subject to an irrelevant risk of change in value.

(l) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs. After the initial recognition, 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.

Present value of short-term debts is not calculated since the effect of discounting the cash flows is not significant.

Gains and losses are recorded in the income statement when the liability are recognised, and also through the amortization process.

Financial liabilities at fair value through profit and loss
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Derecognition of financial assets and liabilities
A financial asset (or, where applicable, a portion of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the rights to receive cash flows from the asset have expired;
- the Company maintains the right to receive cash flows from the asset but has assumed a contractual obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- the Company has transferred the right to receive cash flows the asset and (a) has transferred substantially all of the risks and rewards of the asset or (b) has neither transferred control of the asset.

A financial liability is derecognised from the financial statements when the obligation under the liability is discharged or cancelled, or expires.

(m) Derivatives financial instruments 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 derivative financial instruments are initially recognised at fair value on the date of signature of the derivative contract and measured at fair value again thereafter. The derivatives are carried as financial assets when the fair value is positive and 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 firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm 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 hedging 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 gain 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 hedged item is the cost of a non-financial asset or liability, amounts recognized as other comprehensive income 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.

Current versus non-current classification
Derivatives instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is divided into a current portion and non-current portion only if a reliable allocation can be made.
Derivatives instruments that are not designated as effective hedging instruments are classified as current or non-current or divided into current portion and non-current portion, based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- when the Group expects to hold a derivative as an economic hedge (and does not apply the hedge accounting) for a period exceeding 12 months after the reporting date, the derivative is classified as non-current (or divided between current and non-current) on the basis of the underlying item;
- embedded derivatives which are not closely related to the main contract are classified consistent with the cash flows of the main contract.

(n) Employee termination indemnities

Employee termination indemnities are considered to be a defined-benefit plan according to IAS 19.
The liability related to the defined benefits plans, net of any assets serving the plan, is determined on the basis of actuarial assumptions and is recorded on an accrual basis proportionally to the expecting residual working life to obtain the benefits. The valuation of the liability is carried out by an independent actuary on the basis of assumptions about discount rates, salary increases, mortality rate and pension increases. All assumptions are reviewed at each reporting date.

Starting from January 1, 2007, the Finance Act [Legge Finanziaria] of 2007 and the related implementing decrees introduced significant amendments on the employee termination indemnities legal framework, including option for the employees to choose whether to assign the accrued employee termination indemnities to private pension funds or t treasury funds of national social security organization INPS (Italian national institute of social insurance). In accordance with IAS 19 “Employee Benefits”, the employee termination indemnities accrued up to December 31, 2006, remains a defined benefit plan in the statement of financial position also after January 1, 2007, while the liabilities to INPS and the contributions to private pension funds is considered as a defined contribution plans.

Therefore, in accordance with IAS 19 liabilities to the INPS are defined contribution plans while the employee termination indemnities remain defined benefit plans. Actuarial gains or losses are recognized in the shareholders' equity and consequently in the total 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.

(o) Provisions for risks and charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If the effect is significant, the amount of the accruals is the present value of estimated future cash flows, discounted using an interest rate gross of tax which reflects the current market valuation of cash value and the specific risks related to liabilities.

(p) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

1. there is a change in the contractual terms and conditions other than renewal or extension of the contract;
2. a renewal option to renew is exercised or an extension is granted, unless the terms of renewal or the extension were not initially included in the terms of the leasing operation;
3. there is a change in the terms and conditions according to which performance depends on a specific asset;
4. if there is a substantial change in the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances that gave rise to the reassessment for scenarios 1), 3) or 4) and at the date of re newel or extension period for scenario 2) above.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

Operating leases
Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Financial leases
Finance leases which substantially transfer all the risks and benefits incidental to the ownership of the leased item of the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the lease payments. The lease payments are apportioned between financial expense and reduction of the lease liability so as to achieve a constant rate of interest rate on the remaining balance of the liability. Financial expenses are recognized in the income statement.

A leased asset is depreciated over the useful life of asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the estimated useful life of the asset and the lease term.

(q) Revenue recognition and cost

Revenues are recognized to the extent that it is likely that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are presented net of any discounts, bonuses 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: that moment generally coincides with the date of delivery or shipment of the asset.
Revenues from services are recognised on an accrual basis as the services are delivered.
Revenues related to gaming machine in concessions paragraph 6a (AWP) are recognised net of the indirect tax (PREU), paid winnings and gross of fees to be paid to betting point managers and of concession payment due to ADM – "Amministrazione Autonoma Monopoli di Stato" (the Italian National Authorities competent for Government monopolies).

Revenues related to gaming machines from the entertainment machines under subsection 6b (VLT) are recognized as "Revenues from sales and services" net of paid winnings, jackpots and the indirect tax (PREU), and gross of fees paid to betting point managers, as well as the concession payments due to ADM.
Revenues related to remote games (Skill/Casinò/Bingo) are recognised as "Revenue from sales and services" net of paid winnings, single tax and gross of the IT costs for the platform and concession fees.
In accordance with IAS 32 and 39, the collection of fixed odds and totalizer odd bets represents financial liabilities measured and "reference-based bets" generates a financial liability that is measured at fair value at the reporting date. Therefore, the collection connected with the acceptance of fixed odd bets (for which the Group takes the risk of winnings) are included "Revenues from sales and services" net of costs for the single tax, indirect tax ex ASSI, winnings and reimbursement paid to bettors.
Revenues and costs connected with the acceptance of totalizer bets are instead recognised based on the commission percentage established by the concession for operating the bets.
The revenues and costs related to bets are recognised at the time of the event on which the bet is accepted has occurred.
The costs of services are recognised on an accrual basis when the services are received.
It is worth noting that, in application of Law Decree no. 95 of July 6, 2012. Since December 1, 2012, the Customs incorporated the ADM office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency, hereinafter "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").

Government grants

Government grants and grants from other public entities consist of the investments grant from the MIPAAF investments fund, and the shares' 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 arising from on horserace betting collections in the racetracks.
Government and other public entities grants are recognized at fair value when there is reasonable assurance that the grant will be received and all grant conditions will be met. When the grants relates to an expense item, it is recognized as income over the period necessary to match the grant of a systematic basis to the cost that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is realised to the income statement over the expected useful life of the related asset.

(r) Financial income and expenses

The financial income and expenses are recognized on an accrual basis on the basis using the effective interest method.

(s) Income tax

Income taxes include current and deferred taxes based upon the taxable profits of the Group. Taxes on income tax are recognised in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognized in equity.
Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities.
Deferred taxes are provided using the full liability method. They are calculated on all temporary differences between the tax base of an asset or a liability and the carrying values in the consolidated financial statements, except for those arising from non-tax-deductible goodwill and for those related to investments in subsidiaries where their reversal will not take place in the foreseeable future.
Deferred tax assets and deferred tax liabilities are computed using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled to the extent that such rates have been approved at the end of the reporting period.
Deferred tax assets relating to the carry forward of unused tax losses and tax credits, as well as those arising from temporary differences, are recognised to the extent that it is probable that the future profits will be available against which they can be utilized, also based on the Group's budget and policy. The carrying amount of the deferred tax assets is reduced to the extent that is no longer likely to realize the related benefit.

(t) Segment reporting

An operating sector 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 Group has concluded that its operating sectors determined in accordance with IFRS 8 are the same operating sectors previously identified in accordance with IAS 14. The notes related to IFRS 8 are illustrated in Note 3, including the related restated comparative information.

(u) Assets classified as held for sale

The Group measures a non-current asset (or disposal group of assets) classified as held for sale at the lower of its carrying amount and its fair value, less costs of sale.
Gains and losses in value arising from the initial recognition of an asset classified as held for sale are recorded in the income statement. The same accounting treatment is applied to the profits and losses in the subsequent valuations.

An operating asset is a component of the group that represents an important autonomous business unit or geographical area of operations or is a subsidiary acquired exclusively for the purposes of a sale.
An operating asset is classified as discontinued when the sale occurred or when the conditions are met for a classification in the category “held for sale”, if earlier. A disposal group may also be classified as discontinued assets.

(v) Earnings per share

Basic earnings per share are calculated by dividing the net income of the Group attributable to ordinary shares 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.

(z) Business combination

The business combinations are recorded using the purchase method. In particular, the purchase 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 at the acquisition date of control, and any resulting profit or loss is recognised in the income statement pursuant to IAS 39. 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.

2. Agreements for services licensed

The SNAI Group operates on gaming and betting industry, which include mainly sports and horse racing betting, gaming machines through AWPs (formerly known as new slots) and VLTs (videolotteries) as well as on-line skill, bingo and casino games. That market is regulated by the State authorities by issuing concessions.

In summary SNAI Group hold of the following concessions:

Owner	Qty	Subject matter	Expiry date
SNAI S.p.A.	1 Concession	Realization and operation of the network for the gaming machines provided by article 110, paragraph 6, of T.U.L.P.S., as well as the related operations and functions	March 2022
SNAI S.p.A.	1 Concession Code 4311	Acceptance of betting on horse racing, through the setting up and running of distribution networks (horseracing betting shops and/or network of betting corners and points of sale)	June 2016
SNAI S.p.A.	1 Concession Code 4028	Acceptance of betting on events other than horseracing, through the setting up and running of distribution networks (sports betting shops and/or network of sports betting concerns and points of sale)	June 2016
SNAI S.p.A.	1 Concession Code 4801	Acceptance of betting and horse race games, through the setting up and running of gaming stores and the related operation of the same	June 2016
SNAI S.p.A.	1 Concession Code 15215	Operation through the remote collection of turnover for the following games: a) sports betting; b) horse racing betting; c) horse racing and sports pool betting; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	September 2020

SNAI S.p.A.	1 Concession Code 4501*	Operation of horse racing and sports public games 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
COGETECH S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of June 18, 1931 and following amendments and supplements, as well as related activities and functions.	March 2022
COGETECH S.p.A.	1 Concession Code 4304	Operation of public gaming based on horses, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
COGETECH S.p.A.	1 Concession Code 4011	Operation of public gaming based on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
COGETECH S.p.A.	1 Concession Code 4843	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof	June 2016
COGETECH S.p.A.	1 Concession Code 15113	Operation through the on-line wagers of the following games: a) sports betting; b) horse racing betting; c) horse racing and sports betting pools; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4319	Operation of public gaming based on horses, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4052	Operation of public gaming based on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4804	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4505*	Operation of horse racing and sports public games 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

* SNAI and COGETECH GAMING adhered to the proceeding envisaged by Law 190 of December 23, 2014 (2015 Stability Law) as regards tax regularisation of operating "CTDs" as of October 30, 2014. This resulted in the widening of the physical collection network with a certain number of additional shops, former "CTDs" that are now regularised.

As regards the Concessions on bets, expiring in June 2016, the 2016 Stability Law set out the renewal within the year through the above-mentioned means, described in par. 932 therein.
Paragraph 932 sets out that on May 1, the selection proceeding would be started to award, for the next nine years, concessions for the wagers of sports bets and horse racing bets (with respect to the relevant concessions expire on June 30, 2016 and the law sets out that they will continue to operate - through technical extension - until signature of the new conventions), for a total amount of 15,000 rights, divided as follows:

- 10,000 special gaming shops (tender base of Euro 32,000);
- 5,000 gaming corners, of which 1,000 max in shops selling food and drinks (tender base of Euro 18,000).

With respect to concessions it should also be noted that, during 2015, ADM sent a notice to SNAI as regards the non-respect of some equity ratios, as provided for by the gaming concession agreements. The gaming concession set out that the concession holders should maintain “equity requirements” to prove the fulfilment of some equity ratios which, if unfulfilled over a prolonged period of time, would theoretically result in a procedure related to the expiration or revocation of concessions. The Directors supported by (i) the compliance of the principal ratio (net indebtedness/shareholders’ equity ratio) as of December 31, 2015, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is remote and (iii) the written confirmation received by ADM that the proceeding started is only for monitoring purposes, believe that there are no risks resulting from the unfulfillment of the “equity requirements” that might affect the maintenance or renewal of concessions.

3. Operating segment

Segment disclosure is presented by "operating segment". The segment is based on the management structure and the internal reporting system followed by the Group. The intra-sector sales take place at market conditions.
The Group operates in the following main segments:

- betting collection services;
- racecourse management;
- concessions;
- television services.

Specifically, the Group's operations have been defined as follows:

- **betting collection services:** this segment includes operations related to electronic services supplied to Betting Acceptance Points; these activities are essentially managed by SNAI S.p.A and Cogetech S.p.A.;
- **racecourse management:** this segment includes operations related to the management of the racetracks, including real estate management and organization of races. These activities are managed by Società Trenno S.r.l. and SNAI S.p.A. for the real estate sector;
- **concessions**: this segment includes operations related to the management of horseracing and sports accepting concessions entrusting the activation and operational management of the networks for the on-line management of legal gaming on gaming machines and related activities and functions (slot machines - AWP and videolottery - VLT), in addition to activities related to skill games, bingo and casino games; these activities are substantially managed by SNAI S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l.;
- **television services**: this segment includes operations related to television and radio services. These activities are managed by the company Teleippica S.r.l..

The following table provides information on the contribution to consolidated figures related to the above-mentioned operations.

The sector results include both directly attributable elements and amounts attributable through a reasonable allocation for both costs that are common to more than one sector, and indirect costs.
Conversely, revenues for the sale of software and technology, those for the set-up of stores and other revenues not included under the four specific business areas are not attributed to the main sectors. Therefore, the costs related to the above-mentioned revenues, as well as the financial income and expenses not attributable to those four main business areas, are not attributed to specific sectors but rather to overall corporate governance.

The "Concessions" segment includes all bets, both fixed-odds (in which the desk/counter is owned by the concession holder) and totalisator bets (where the desk/counter is owned by the Ministry of Finance), accepted in the PAS ("Punti Accettazione Scommesse" - betting acceptance points) where SNAI, Cogetech and Cogetech Gaming are the direct concession holder.

The risk related to fixed-odds bets is assumed by the concession holder since the latter is committed to pay winnings and taxes, while in the case of totalisator bets, no risk is assumed by the concession holder since the latter is entitled to receive only a percentage of cash movements.

(amounts in thousands of Euro)	Betting Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Sector assets	**7.287**	5.618	**5.968**	4.756	**402.116**	227.749	**3.425**	10.431	**2.807**	1.055	**-**	-	**421.603**	249.609
Tangible and intangible assets	**13.630**	12.629	**103.831**	102.319	**485.304**	345.891	**3.225**	3.725	**(93)**	4	**-**	-	**605.897**	464.568
Unattributable tangible and intangible assets													**13.506**	13.744
Shareholdings in affiliates	**-**	-	**2.490**	2.315	**-**	-	**-**	-	**50**	49	**-**	-	**2.540**	2.364
Unattributable assets													**7.736**	5.379
Total Assets	**20.917**	18.247	**112.289**	109.390	**887.420**	573.640	**6.650**	14.156	**2.764**	1.108	**-**	-	**1.051.282**	735.664
Liabilities of the sector	**6.692**	3.269	**7.907**	8.131	**870.008**	649.700	**2.717**	2.858	**1.734**	932	**-**	-	**889.058**	664.890
Unattributable liabilities													**26.599**	22.673
Total Liabilities	**6.692**	3.269	**7.907**	8.131	**870.008**	649.700	**2.717**	2.858	**1.734**	932	**-**	-	**915.657**	687.563
Investments:														
Tangible and intangible assets	**1.586**	713	**5.384**	1.521	**190.828**	13.331	**545**	383	**-**	-	**-**	-	**198.343**	15.948
Unattributable tangible and intangible assets													**2.943**	2.642

INCOME STATEMENT BY BUSINESS SEGMENT

(amounts in thousands of Euro)	Betting Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	Year 2015	Year 2014	Year 2015	Year 2014	Year 2015	Year 2014	Year 2015	Year 2014	Year 2015	Year 2014	Year 2015	Year 2014	Year 2015	Year 2014
Sector revenues	**13.922**	12.551	**9.684**	6.850	**598.697**	498.215	**9.151**	9.152	**355**	713	**-**	-	**631.809**	527.481
Inter-sector revenues	**446**	4.515	**296**	202	**6**	5	**2.993**	3.011	**604**	602	**(4.345)**	(8.335)	**-**	-
Results of operations	**5.063**	7.130	**(7.192)**	(8.662)	**21.491**	34.908	**1.076**	1.185	**(6.797)**	349	**-**	-	**13.641**	34.910
Quotas of results of operations pertaining to shareholdings	**-**	-	**175**	(499)	**-**	-	**-**	-	**(40)**	(49)	**-**	-	**135**	(548)
Financial (costs) and income	**(143)**	(70)	**(41)**	(63)	**(60.194)**	(58.226)	**(32)**	(28)	**775**	(9)	**-**	-	**(59.635)**	(58.396)
Income tax													**(8.372)**	(2.048)
Profit/(Loss) for the period													**(54.231)**	(26.082)
The results of operations include: amortization, depreciation and write-downs	**(1.066)**	(510)	**(3.880)**	(3.962)	**(64.255)**	(53.102)	**(1.045)**	(1.083)	**(3)**	(12)	**-**	-	**(70.249)**	(58.669)

During the year ended December 31, 2015:

- the operating result of the "Concessions" segment is lower than the result reported in 2014, due to the combined effect of i) positive effects on operating resulting related to the acquisition of Cogemat Group (with impact as from November), ii) good results of the Gaming Machines (ADI) segment; iii) decrease of revenues from sports betting, compared to the previous year due to a lower wagers, also due to some critical issues connected with a portion of the distribution network and entirely settled in the last quarter of the year, and a higher payout, which reached 82.2%; the performance of which is within the normal fluctuation of this variable, still better than market average, iv) lower revenues and margins generated by bets on virtual events, partly due to the aforesaid critical issues connected with the shutdown of some gaming points; v) the performance of the skill games, which was lower than last year, in terms of revenues and margins; vi) the positive effect connected with the Barcrest transaction; vii) the allocation for possible liabilities related to personnel, as set out in the lease agreement with envisaged purchase of SIS business unit that might occur within SIS over the next few months (see Note 4);
- better operating results of the "Management of racetracks" segment, partly connected with the opening of the new racetrack "La Maura" in Milan, as well as the balance of remuneration for 2012 and 2013 years by MIPAAF.

4. Business combination

The fair value of assets and liabilities, acquired in the three business combinations that occurred during the year, are shown hereunder as of the date of the related acquisition:

	FAIR VALUE			
thousands of Euro	**Finscom**	**SIS**	**Cogemat**	**Total**
Intangible assets	-	-	98,537	**98,537**
Property, plant and equipment	86	864	11,787	**12,737**
Shareholdings	5	-	4	**9**
Deferred tax assets	18	-	28,891	**28,909**
Other non-financial non-current assets	66	-	1,142	**1,208**
Inventories	1	-	151	**152**
Trade receivables	329	-	79,054	**79,383**
Other assets	191	-	31,650	**31,841**
Current financial assets	111	-	11,585	**11,696**
Cash on hand	127	-	38,029	**38,156**
Total Assets	**934**	**864**	**300,831**	**302,629**
Provisions and other liabilities	3,270	-	93,359	**96,629**
Deferred tax liabilities	-	-	14,296	**14,296**
Trade payables	4,400	-	12,141	**16,541**
Current and non-current financial liabilities	211	-	112,487	**112,698**
Total Liabilities	**7,881**	**-**	**232,283**	**240,164**
Net assets	**(6,947)**	**864**	**68,547**	**62,464**
Goodwill resulting from the purchase	857	2,360	71,453	**74,670**
Difference charged to income statement	6,090	5,138	-	**11,228**
Cash used in recapitalization of the Company	5,025	-	-	**5,025**
Total purchase cost	**5,025**	**8,362**	**140,000**	**153,387**

The net disbursements for each single acquisition are reported hereunder. The following should be considered:

- the payments made for the acquisition of Finscom were made directly in favour of the company, for which the only change was determined by the acquired cash;
- as regards the acquisition of the S.I.S. business unit, at the moment only the amount of Euro 1.3 million was paid as deposit, while the residual debt for the acquisition, amounting to Euro 6,457 thousand, as of December 31, 2015, net of some receivables, is disclosed in the liabilities of the consolidated balance sheet;
- the acquisition of the Cogemat Group was carried out through the increase of the reserved share capital increase, which is therefore without disbursement. In this case as well, the impact was limited to the acquired net cash.

Net cash disbursements per each single acquisition are reported hereunder:

thousands of Euro	Finscom	SIS	Cogemat	TOT
Net cash acquired with the subsidiary	127		38,029	38,156
Payments already settled		(1,300)		(1,300)
Total cash acquired	127	(1,300)	38,029	36,856

The main elements of each single acquisition are summarised in the following three paragraphs.

Cogemat S.p.A.

On September 30, 2015, SNAI S.p.A. ("SNAI") signed an agreement for the acquisition from OI Games 2 S.A. of the entire share capital of Cogemat S.p.A. ("Cogemat"). The acquisition was carried out through the transfer, into SNAI share capital, of the shareholding held in Cogemat by OI Games 2 S.A. (equally owned (50%) by OI Games S.A. and International Entertainment S.A.).
With respect to this transfer, SNAI issued new shares for a total value of Euro 140 million. After this transaction, the old shareholders of Cogemat obtained a shareholding consisting in 71,602,410 newly issued SNAI shares (38% of SNAI share capital after the share capital increase, instrumental to the transfer).
For the purposes of allocating the purchase price related to the transaction pursuant to the IFRS 3 accounting standard (Business Combinations), SNAI proceeded to identify and measure at fair value the assets of the acquired company, with the support of an independent external consultant. In the preliminary analysis, the Commercial Network is identified as the only asset to be written-up. During the years, in fact, Cogemat has built a sound customer portfolio. The Commercial Network is based on customers with whom the company signed agreements for the use of AAMS licenses. In particular, Cogemat allows operators, disseminated over the Italian territory, to use the AAMS licenses related to betting. These licenses, owned by Cogemat, are granted for use to operators together with electronic machines, through which bets are placed, against the payment of fees proportionate to the type of machines (VLTs or AWPs) and bets. The multi-period excess earning method was used to estimate the fair value of Cogemat's Commercial Network.
With respect to this acquisition, the fair value of assets acquired and liabilities assumed, as well as the residual value allocated to goodwill, are not final at the reporting date. As permitted by IFRS 3, over the twelve months after the transaction, and to complete the measurement process, it is possible to adjust, with retroactive effect, provisional amounts of acquired assets and liabilities to take account of their fair value at the acquisition date, with consequent re-measurement of goodwill.

Finscom S.r.l.

On April 1, 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l., in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law.
In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on April 8, 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waiver of certain amounts receivable and partly through an increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (the company indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom.
Following the waiver by Finscom's shareholders of their right to subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09.
At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.
On June 20, 2015, Finscom S.r.l. was no longer in liquidation, nor under the composition with creditor's procedure.

The purchase cost, equal to Euro 5,025 thousand, therefore included a payment of Euro 2,363 thousand made by SNAI Rete Italia S.r.l. and a conversion of the SNAI receivables amounting to Euro 2,662 thousand.

The difference between price for the purchase of the shareholding and fair value of the aforesaid acquired carrying amounts, net of the difference charged to income statement (equal to Euro 6,090 thousand), was entirely accounted for as goodwill (which is therefore equal to Euro 857 thousand). Given the key importance of the acquisition, which stems from the maintenance, by the acquiring concession holder, of its margins, related to a significant number of betting shops, and not from the actual management of the betting shops themselves, it should be also noted that the higher value paid, compared to the carrying amount of acquired assets, is attributable to a general concept of goodwill, which cannot be allocated to special assets.

SIS Business Unit

On July 7, 2015 SNAI S.p.A. and SNAI Rete Italia S.r.l. subscribed an agreement for the rent, with subsequent acquisition, of a business unit of SIS S.r.l. in liquidation, as described in detail in Note 1 general information.

The agreement entered in force on 22 July 2015.

The total purchase price was agreed on Euro 8,362 thousand (to be paid excluding the rent paid by SNAI Rete Italia to

SIS until finalization of the transfer). It should be also considered that the final purchase price of the Business Unit is subject to adjustments based on special terms and conditions agreed upon with the selling party.

On July 9, 2015, SNAI Rete Italia S.r.l. formed a deposit, equal to Euro 1,300 thousand, to guarantee the fulfilment of all payment obligations undertaken with the rent of the SIS business unit. As of December 31, 2015, this deposit was used, in the amount of Euro 649 thousand, to cover expenses related to rentals paid.

The difference between purchase price of the shareholding and fair value of the above-mentioned acquired book values, net of the difference charged to income statement (equal to Euro 5,138 thousand), was recorded as goodwill (which is therefore equal to Euro 2,360 thousand). Given the key importance of the acquisition, which stems from the maintenance, by the acquiring concession holder, of its margins, related to a significant number of betting shops, and not from the actual management of the betting shops themselves, it should be also noted that the higher value paid, compared to the carrying amount of acquired assets, is attributable to a general concept of goodwill, which cannot be allocated to special assets.

Moreover, the payment of a price for the rent and envisaged acquisition, agreed in the amount of Euro 8,362 thousand, was set out in the agreement for the further maximum amount of Euro 2,500 thousand, to cover possible liabilities related to personnel that might occur in SIS over the next few months. As of December 31, 2015, transactions totalling Euro 195 thousand had already been defined. Directors deemed as probable the possible disbursement of the entire amount provided for as guarantee, and therefore allocated the residual amount, equal to Euro 2,305 thousand, to a provision for risks.

Notes on the main items of the consolidated comprehensive income statement

The comparison between values, always expressed in thousands of euros, unless otherwise indicated, is based on the corresponding balances of year 2014.

5. Revenues from sales and services

The amount of revenues from sales and services concerning the year ended December 31, 2015, are equal to Euro 599,263 thousand (revenues for 2015 included the contribution of the Cogemat Group for the two last months of the year, amounting to Euro 83,780 thousand), against Euro 525,551 thousand for 2014, and it is broken down as follows:

	Year		
thousands of Euro	**2015**	**2014**	**Change**
Net revenues from the collection of fixed-odds sports race betting	103,202	130,342	(27,140)
Revenues from Totalize, National horse race game and horse pool betting	17,446	20,694	(3,248)
Revenues from Gaming Machines	387,574	278,475	109,099
Net revenues from online games (Skill/Casino/Bingo)	18,965	19,841	(876)
Revenues from betting collection services	4,183	3,915	268
Net revenues from virtual events	36,594	44,222	(7,628)
Revenues from virtual event services	3,051	2,856	195
Revenues from commissions	3,169	3,662	(493)
Revenues from online Skill and Casino game services (GAD)	-	8	(8)
Revenues from service and assistance agreements	4,618	5,028	(410)
Revenues from the betting collection services at racetracks	6,722	3,968	2,754
Revenues from race course management	1,217	1,136	81
Revenues from television services and related services	9,839	9,610	229
Revenues from other services to third parties	2,683	1,794	889
Total	**599,263**	**525,551**	**73,712**

The table below shows the composition of “Net revenues from the collection of fixed-odds sport and horse race game betting”, with the indication of paid winnings, reimbursements and taxes.

	Year	
thousands of Euro	**2015**	**2014**
Turnover from fixed-odds Sports Betting	748,129	752,847
Reimbursement of Fixed-odds Sports Betting	(647)	(544)
Winnings of fixed-odds Sports Betting	(617,982)	(594,801)
Single tax on fixed-odds Sports Betting	(28,684)	(29,984)
Net revenue from the collection on fixed-odds Sports Betting	**100,816**	**127,518**
Turnover from fixed-odds Horse Race Bettings	30,441	28,213
Reimbursement on fixed-odds Horse Race betting	(171)	(209)

Winnings on fixed-odds horse race	(24,127)	(21,663)
Single Tax on fixed-odds Horse Race betting	(1,235)	(1,157)
Taxation on fixed-odds Horse Race betting	(2,522)	(2,360)
Net revenue from the collection of Fixed-odds and Reference Horse Race Betting	**2,386**	**2,824**
Total net revenues from the collection of fixed-odds sports and horse race betting	**103,202**	**130,342**

The decrease concerning the net revenues from the sports bets for the year ended December 31, 2015 decreased, compared to amounts reported in the previous year, due to higher payout and lower wagers in the gaming machines segment, also according to a certain number of gaming points that were closed in the first eight months of the year, given the financial position of the management company. In 2015, the payout on sports betting, including the amounts recognised as bonuses, amounted to approximately 82.7% compared to 79.1% in the previous year. The above-mentioned revenues included Euro 2,463 thousand, which are related to the consolidation of the Cogemat Group for the last two months of the year.

Revenues from totalizer, national horse race game and horse pool betting decreased due to the continued crisis in the horse racing sector.

Revenue from gaming machines amounted to a total of Euro 387,574 thousand of 2015 (of which Euro 79,345 thousand, attributable to the consolidation of the Cogemat Group in the last two months of the year), which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item “Costs for services and use of third-party assets” in Note 8. It should be recalled that, pursuant to the Law Decree no. 95 of July 6, 2012, (since December 1, 2012, the Customs incorporated the ADM office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency)), the concession holders are required to pay to ADM an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The receivable, equal to Euro 37,228 thousand and recognised in the balance sheet, is related to the “Guarantee deposits of gaming machines”, paid in 2015 (see Note 21), of which Euro 15,223 thousand related to SNAI S.p.A. and Euro 22,005 thousand related to Cogetech S.p.A. The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. The Group received formal notice by ADM that, based on the checks performed, the service levels achieved in the current period are sufficient to allow the guarantee deposit to be refunded.

Revenues from online Skill, bingo and Casino games, equal to Euro 18,965 thousand, include Euro 172 thousand related to the consolidation of the Cogemat Group and are broken down as follows:

	Year	
thousands of Euro	**2015**	**2014**
Turnover from online Skill, bingo and Casino Games	729,732	737,903
Winnings from online Skill, bingo and Casino Games	(704,926)	(711,866)
Single Tax on online Skill, bingo and Casino Games	(5,841)	(6,196)
Net revenue from online Skill, bingo and Casino games	**18,965**	**19,841**

Revenues from virtual events, equal to Euro 36,594 thousand, include Euro 776 thousand related to the consolidation of the Cogemat Group and are broken down as follows:

	Year	
thousands of Euro	**2015**	**2014**
Turnover from virtual events	272,003	342,220
Winnings and reimbursements from virtual events	(226,133)	(286,901)
Single tax on virtual events	(9,276)	(11,097)
Net revenues from virtual events	**36,594**	**44,222**

The item “Revenues from television services and related services” includes mainly revenues deriving from the agreement entered into by the subsidiary Teleippica S.r.l. with MIPAAF for the television broadcasting of horse races at the points of acceptance of horse racing betting.

6. Other revenues

The other revenues equal to Euro 32,546 thousand in 2015 (Euro 1,930 thousand in 2014) breaks down as follows:

thousands of Euro	2015	Year 2014	Change
Rental and chargeback expenses	156	164	(8)
Settlements	30,890	59	30,831
Compensation and damages reimbursement	87	111	(24)
EX ASSI grants	53	53	-
Gain from sale of assets	79	118	(39)
Revenues from organisation and technology sales	234	651	(417)
Other revenues	1,047	774	273
Total	**32,546**	**1,930**	**30,616**

Settlements equal to Euro 30,890 thousand, is mainly attributable, in the amount of Euro 27,457 thousand, to the transaction concluded on February 19, 2015 between SNAI, on the one side, Barcrest Group Limited and The Global Draw Limited on the other side, and their parent company Scientific Games Corporation, to settle a number of pending issues, which arose between the parties for the well-known events occurred in April 2012. SNAI waived the actions in the Roman case that, at the same date, following the joint request submitted by the parties, was declared cancelled, with legal expenses offset, and reached an agreement with the above companies on pending claims and the payment of damages and costs already incurred including some guarantees on the claims themselves.

7. Cost of raw materials and consumables

Cost of raw materials and consumables amounted to a total of Euro 518 thousand in 2015 (Euro 917 thousand in 2014), mainly related to materials used in bet collection, technology and the furnishings installed in the new points of sales.

8. Costs for services and use of third party assets

Costs for service and use of third-party assets amounted to a total of Euro 439,594 thousand in 2015, include Euro 69,430 thousand of the Cogemat Group for the last two months of the year (Euro 357,873 thousand in 2014), and are broken down below:

thousands of Euro	2015	Year 2014	Change
Betting sports and horse race acceptance services	60,190	71,722	(11,532)
Gaming machines services	298,377	205,897	92,480
Online Skill and Casino games management	4,774	4,782	(8)
Bookmakers	1,800	1,852	(52)
Online betting and Skill and Casino game services	5,319	6,317	(998)
Virtual events services costs	14,891	20,989	(6,098)
Horse racecourse services	1,378	1,090	288
Television and radio services	7,303	7,716	(413)
Rent of stations	382	385	(3)
Consultancy cost and expense reimbursements	8,440	3,924	4,516
Utilities	8,011	7,199	812
Equipment repair and maintenance	8,795	8,393	402
Advertising and promotion	4,957	6,161	(1,204)
Installations, logistics and design	1,280	1,384	(104)
Other personnel costs for collaborations and other services	466	421	45
Insurance and guarantees	1,649	1,504	145
Market research	205	526	(321)
Marketing materials	829	481	348
Rental fees	2,449	778	1,671
Operating leases	1,619	1,009	610
Directors' fees	1,752	1,725	27
Independent Auditors' fees	751	619	132
Statutory Auditors' fees	257	247	10
Regulation authority and other committee's fees	194	170	24
Expense reimbursement to directors and auditors	34	36	(2)
Other	3,492	2,546	946

Total	**439,594**	**357,873**	**81,721**

In particular, the table shows:

- betting sports and horse race acceptance services granted to the managers of horse race and sports stores and betting corners decreased from Euro 71,722 thousand in 2014 to Euro 60,190 thousand in 2015, including Euro 1,605 thousand of the Cogemat Group for the last two months of the year. This decrease results from a lower collection on sports and horseracing bets in the physical network, for the reasons indicated in the previous Note 5;

- costs for gaming machines services (for a total of Euro 298,377 thousand, of which Euro 64,219 thousand of the Cogemat Group for the last two months of the year, compared to Euro 205,897 thousand in 2014) and include the collection fees paid to third parties and the costs for the VLT platforms;

- costs for virtual events services (for Euro 14,891 thousand, of which Euro 496 thousand of the Cogemat Group for the last two months of the year, compared to Euro 20,989 thousand in 2014) and include the costs related to the operator and the costs for the platform. The decrease is due to lower wagers.

The "Other" item mainly comprises no-competition agreement, IT services, surveillance and security services for the transportation of money and valuables, cleaning services, postal and shipping expenses, waste disposal and running costs of company vehicles.

9. Costs of personnel

Costs of personnel totalled Euro 45,110 thousand in 2015 over Euro 35,969 thousand in 2014, up by Euro 9,141 thousand (25.41%) primarily due to the business combination of S.I.S. occurred on July 22, 2015 and therefore the bearing of various personnel costs, whether employees or not. Special care was cast on conciliation settlements that took place in the July-September period to formalise 154 collaboration relations (Co.Co.Pro.), in addition to personnel costs resulting from the acquisition of Cogemat Group and incentives for early retirement for employees and managers.

	Year		
thousands of Euro	**2015**	**2014**	**Change**
Wages and salaries	28,622	24,832	3,790
Social security expenses	8,779	7,598	1,181
Accrual to employee termination indemnities	1,980	1,554	426
Costs for personnel training	71	147	(76)
Expense reimbursement to employees	692	649	43
Meal tickets	873	779	94
Other costs of personnel	4,093	410	3,683
Total	**45,110**	**35,969**	**9,141**

The item "Accrual to employee termination indemnities" also includes the impact on the income statement resulting from the valuation of the post-employment benefits in accordance with IAS 19.

The workforce as of December 31, 2015 is illustrated by the following table, which shows an increase of 627 individuals compared to December 31, 2014, mainly due to the business combination acquisition of Cogemat Group, Finscom, and SIS.

	As of December 31, 2014		**Business combination**	**Hired in the year**	**Left during the year**	**As of December 31, 2015**		**Average workforce for the year**
Executives	27		13	2	5	37		27
White Collar employees and mid-level managers	598		434	319	133	1,218		792
Blue-collar workers	65		-	-	3	62		63
Total Employees	690	*	447	321	141	1,317	**	882

* of whom 107 part-time and 22 on maternity leave
** of whom 349 part-time and 14 on maternity leave

10. Other operating costs

Other operating costs amounted to Euro 52,802 thousand for the 2015 year, including Euro 5,861 thousand related to the Cogemat Group for the last two months of the year (Euro 40,610 thousand in 2014).

thousands of Euro	Year 2015	2014	Change
Concessions and licenses fees	17,958	15,160	2,798
Stability Law 2015 cost	7,004	-	7,004
Administration fines	256	396	(140)
Non-deductible VAT	4,418	5,533	(1,115)
Allowance for doubtful debts	11,792	15,693	(3,901)
Write-down on receivables	1,750	1,622	128
Utilisation of provision for doubtful receivables for risks and charges	(178)	(3)	(175)
Release of provision for technological upgrading	(686)	(2,591)	1,905
Accrual to provision for risks and charges	543	448	95
Entertainment expenses	127	162	(35)
Subscription fees	174	229	(55)
Other indirect taxes	763	731	32
Duties on properties (IMU)	1,061	1,061	-
Stationery, consumables and promotional materials	287	297	(10)
Cost of environmental and health controls	153	109	44
Settlement of disputes	5,618	166	5,452
Losses from sale of assets	617	1,203	(586)
Other administration and operating costs	1,145	394	751
Total	**52,802**	**40,610**	**12,192**

The concessions and licenses fees item includes, among other things:

- the concession fee for the legal gaming on gaming machines for a total amount of Euro 11,717 thousand, calculated at 0.30% of the volume wagered and paid to ADM on a bimonthly basis; Euro 9,133 thousand are related to SNAI S.p.A. and Euro 2,584 thousand are related to Cogetech S.p.A. for the related months of consolidation;
- the concession fee for the marketing of public gaming concessions on the rights awarded through the call for tenders in 2006 (“Bersani rights”) and the rights awarded through the call for tenders in 2008 (“Giorgetti rights”), and the rights awarded through the call for tenders in 2012 (“Monti rights”), in the amount of Euro 5,008 thousand, of which Euro 4,908 thousand related to SNAI S.p.A. and Euro 100 thousand related to Cogetech S.p.A.;
- the concession fee for remote public gaming, in the amount of Euro 613 thousand, of which Euro 600 thousand related to SNAI S.p.A. and Euro 13 thousand related to Cogetech S.p.A.;
- the television licence fees in the amount of Euro 352 thousand.

Costs for Stability Law 2015, amounting to Euro 7,004 thousand, is related to costs, pertaining to the SNAI Group for the year 2015, connected with provisions set out by the Stability Law, approved by the Parliament at the end of December 2014. As regards the total amount of Euro 7,004 thousand, Euro 5,993 thousand are related to SNAI S.p.A., Euro 908 thousand are related to Cogetech S.p.A. for the related months of consolidation and Euro 103 thousand are referred to other Group companies. The already mentioned 2015 Stability Law outlined that the total amount of Euro 500 million be charged to the distribution segment of gaming machines (both AWP and VLT). This amount was apportioned according to the number of machines referable to each single concession holder, as quantified by the Directorial Decree no. 4076/2015 issued by ADM on January 15, 2015. According to the aforesaid decree, the amount related to the distribution segment for gaming machines referable to SNAI is equal to Euro 84,832 thousand, of which Euro 37,792 thousand related to SNAI S.p.A. and Euro 47,040 thousand related to Cogetech S.p.A. The most relevant portion of this amount, around Euro 71 million, was charged to the distribution segment (for further detail see Notes 20, 21 and 30).

In 2015, a provision for doubtful receivables was recognised in the amount of Euro 11,792 thousand in accordance with the best estimates of recoverability of receivables in previous years pertaining to the Company’s typical operations that have proven increasingly difficult to collect in the course of business.

During 2015, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 543 thousand, as provided for by the concession agreement for the building and running of networks for the on-line management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of June 18, 1931 and following amendments and supplements, as well as related activities and functions.

The “Non-deductible VAT”, equal to Euro 4,418 thousand, relates to particular operations performed by SNAI S.p.A., Trenno S.r.l., SNAI Rete Italia S.r.l. and Finscom S.r.l., which generate, in part, the revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases.
The companies SNAI S.p.A., and Società Trenno S.r.l. opted for separate activity for VAT purposes, which means that, for purchases related to activities that generate taxable transactions, the VAT is deductible, while the VAT on purchases that generate exempt transactions is entirely non-deductible.
As regards the VAT on goods and services used promiscuously by all of the business operations, the VAT is deducted subject to the limits of the portion attributable to the operations which produce taxable revenues to which it refers; therefore, the cost of non-deductible VAT has been calculated using specific allocation criteria.

Settlement of disputes are mainly attributable, in the amount of Euro 900 thousand, to the termination of the contract with the CEO in office until July 13, 2015, in the amount of around Euro 4 million of the Barcrest event and the remaining portion of various transactions with customers and suppliers.

11. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 1,392 thousand in the year ended December 31, 2015 (Euro 1,539 thousand in 2014) are essentially related to software generated internally for:

- IT systems and networking solutions supporting the Business lines (Business Intelligence);
- centralized systems and peripheral terminals for the acceptance of bets, the sale of services, the distribution of information to Operators, the display of information, the management of both the sales point and gaming machines (AWPs and VLTs);
- centralized systems for the management of contacts with ADM for all product lines under concession;
- management systems and consoles for betting and risks on sales;
- centralized systems, gaming interfaces and integration protocols for on-line wagers;
- management systems and consoles for back-office activities.

12. Amortisation, depreciation and write-downs

These amount to a total of Euro 70,249 thousand in the year ended December 31, 2015 (Euro 58,669 thousand in 2014), as detailed below:

	Year		
thousands of Euro	**2015**	**2014**	**Change**
Amortisation of intangible assets	40,808	41,034	(226)
Depreciation of property, plant and equipment	17,520	17,517	3
Write-downs	11,921	118	11,803
Total	**70,249**	**58,669**	**11,580**

The amortisation and the depreciation referable to the Cogemat Group for the consolidated period are equal to Euro 2,242 thousand and Euro 870 thousand, for intangible assets and property, plant and equipment, respectively.
Write-downs, amounting to Euro 11,921 thousand, are primarily due to the outcome of the impairment testing. The Group therefore provided for the write-down of goodwill, in the amount of Euro 6,089 thousand, for the portion related to the acquisition of the company Finscom, and of Euro 5,136 thousand for the portion related to goodwill resulting from the rent and commitment for purchase of the business unit S.I.S..
Further information regarding the above is provided in the Notes 15 and 16, “Property, plant and equipment” and “Intangible assets”.

13. Financial income and expenses

Net financial expenses for 2015 period amounted to Euro 59,500 thousand, up by Euro 556 thousand over 2014 period, as detailed below:

	Year		
thousands of Euro	**2015**	**2014**	**Change**
Share of net profit/(loss) of associates			
Alfea S.p.A.	198	(33)	231
Hippogroup Roma Capannelle S.p.A.	(23)	(466)	443
Solar S.A.	(40)	-	(40)
Connext S.r.l.	-	(49)	49
	135	**(548)**	**683**

Financial income			
Gains exchange rate	8	2	6
Interest on bank deposit	993	1,490	(497)
Other financial income	191	250	(59)
	1,192	**1,742**	**(550)**
Financial expenses			
Interest expense on loans	86	-	86
Interest expense on bond loan	51,895	49,650	2,245
Other interest paid	359	299	60
Bank interest expenses	1	-	1
Losses on exchange rate	25	14	11
Interest expense on financial leasing	198	2,713	(2,515)
Interest expense on employee terminations indemnities	75	119	(44)
Other financial expenses	8,188	7,343	845
	60,827	**60,138**	**689**
Total	**(59,500)**	**(58,944)**	**(556)**

Financial income includes interest income accrued on bank accounts in the amount of Euro 993 thousand and other interest income for Euro 191 thousand mainly related to interest incurred on the extended terms of payment granted on trade receivables.

Financial expenses mainly include the following:

- expenses and interest on bond loans, calculated in accordance with the depreciated cost method under IAS 39 by applying the effective interest rate on loans amounting to Euro 51,895 thousand of which Euro 3,701 thousand can be attributed to ancillary costs. These charges are related, in the amount of Euro 3,366, to bond loans issued on November 8, 2013 (fully repaid on May 5, 2015) and on December 4, 2013, for an aggregate amount of Euro 480,000 thousand, and, in the amount of Euro 335 thousand, to the bond loan issued on July 28, 2015, for an aggregate amount of Euro 110 thousand (for further details on bond loans, reference is made to Note 28);
- interest expense calculated on financial leasing in the amount of Euro 118 thousand and ancillary charges on leasing for Euro 80 thousand, including non-deductible VAT;
- other financial expenses, including Euro 2,930 thousand for the release of the portion pertaining of the cash flow hedge reserve related to hedge derivatives existing in 2013, Euro 2,971 thousand of commissions on bank guarantees, Euro 863 thousand of commissions payable on bank transactions related to on-line gaming, Euro 679 thousand for commissions payable on revolving credit line and Euro 268 thousand of bank charges.

14. Income tax

Current income taxes, inclusive of IRES tax and IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded in fiscal year, show a positive balance of Euro 8,372 thousand.

thousands of Euro	Year 2015	Year 2014
IRES	(95)	-
IRAP	2,500	2,745
Deferred tax liabilities	4,773	5,197
Reversal for deferred tax liabilities	(6,725)	(279)
Deferred tax assets	(4,003)	(7,791)
Reversal of deferred tax assets	11,955	2,175
IRES/IRAP for prior years	(33)	1
Total	**8,372**	**2,048**

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the financial statements as of December 31, 2015, and the theoretical tax charge (in thousands of Euro):

		December 31, 2015		December 31, 2014
Profit/(loss) before taxes		(45,859)		(24,034)
Theoretical IRES tax charge	*27.50%*	12,611	*27.50%*	6,609
Theoretical IRAP tax charge	*5.12%*	2,348	*5.12%*	1,231
Total Theoretical tax (charge)/credit		**14,959**		**7,840**
Fines, sanctions and other taxes		(1,378)		(343)
Other permanent non-deductible costs		(18,812)		(4,603)
Other permanent tax deductions		6,524		289
		1,294		**3,183**
Permanent differences for IRAP calculation (including employees)		(9,818)		(5,230)
		(8,524)		**(2,047)**
Tax and duties for prior year		152		(1)
Actual tax (charge)/credit	*10.60%*	**(8,372)**	*8.52%*	**(2,048)**

For further details on the effects deriving from the tax charge and the tax consolidation regime, reference is made to Note 18 “Deferred tax assets and deferred tax liabilities” of these explanatory notes.
The last year finalised for tax purposes was the year 2010.

Reference is made to Note 29 for further details on tax disputes.

Notes to consolidated statement of financial position

The comparison between account balances, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as of December 31, 2014.

15. Property, plant and equipment

Property, plant and equipment as of December 31, 2015 amounted to Euro 147,143 thousand (Euro 143,924 thousand). The change over the year is due to the combined effect of the depreciation charge for the year (Euro 17,520 thousand), investments (Euro 9,479 thousand), business combination, less accumulated depreciation (Euro 12,739 thousand), impairment write-downs (Euro 696 thousand) and disposals, less accumulated depreciation (Euro 815 thousand) and reclassifications (Euro 32 thousand).

in thousands of Euro	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other	Work in progress and advance payment to suppliers	Total
Cost						
Balance as of December 31, 2014	**142,493**	**170,250**	**7,347**	**22,347**	**789**	**343,226**
Business combination		44,228	1,246	22,186	55	67,715
Reclassifications	109	549	45	118	(789)	32
Other addition	4,028	4,874	63	509	5	9,479
Disposals	-	(6,035)	(17)	(1,432)	(1)	(7,485)
Balance as of December 31, 2015	**146,630**	**213,866**	**8,684**	**43,728**	**59**	**412,967**
Accumulated Depreciation and impairment write-downs						
Balance as of December 31, 2014	**36,938**	**140,960**	**6,954**	**14,450**	**-**	**199,302**
Business combination		32,982	1,001	20,993		54,976
Annual depreciation	3,158	11,809	161	2,392		17,520
Write-downs	-	496		200		696
Disposals	-	(5,581)	(16)	(1,073)		(6,670)
Reclassification	-	-	-	-	-	-
Balance as of December 31, 2015	**40,096**	**180,666**	**8,100**	**36,962**	**-**	**265,824**

Carrying amounts						
As of December 31, 2014	105,555	29,290	393	7,897	789	143,924
As of December 31, 2015	106,534	33,200	584	6,766	59	147,143

"Plant and equipment" includes electricity, water, fire prevention and air conditioning systems, as well as work carried out for the compliance thereof to safety regulations, electronic machinery, and technology for connection to the network of the central systems.

Increases resulting from business combinations are related to the consolidation of the Cogemat Group, as well as to the business unit related to SIS and to Finscom S.r.l..

The increases as of December 31, 2015, in the amount of Euro 9,479 thousand, are mainly related to:

- the Land and Buildings item, in the amount of Euro 4,028 thousand, as follows: Euro 3,056 thousand the new racetrack of Milan (Ippodromo della Maura), Euro 944 thousand primarily related to consolidation and improvement to the structures at the Ippodromo del Galoppo [Milan gallop racetrack], Euro 15 thousand for remediation interventions on land in the Milan area, Euro 13 thousand related to works on the building of the registered office;
- "Plant and equipment", in the amount of Euro 4,874 thousand, related for Euro 1,268 thousand to technology loaned free of charge to the sales points, for Euro 990 thousand to electro-thermal and electric plant (of which Euro 849 thousand for the new Racetrack in Milan - Ippodromo della Maura), for Euro 386 thousand to hardware and interconnection network for the sales points, for Euro 310 thousand for AWP machines and replacement of related cards, for Euro 304 thousand to radio links, for Euro 233 thousand to implementation of a directing plant of Teleippica S.r.l., for Euro 125 thousand to plant projection machines, for Euro 120 thousand for betting technology and equipment, for Euro 30 thousand for equipment and technology related to VLTs and for Euro 1,107 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and other plant and equipment necessary for the performance of the various business operations of the Group companies;
- "Industrial and commercial equipment", totalling Euro 45 thousand, including: Euro 20 thousand for the purchase of the horse walker for the new racetrack in Milan (Ippodromo della Maura) and Euro 43 thousand related to sundry assets;
- "Other ", in the amount of Euro 509 thousand, related for Euro 255 thousand to furnishing and fittings provided free of charge to sales points and betting shops managed directly by the Group, for Euro 121 thousand to head office furnishings and fittings (of which Euro 10 thousand for the statue at the entrance of the New Racetrack in Ippodromo della Maura, in Milan), for Euro 37 thousand to furnishings and fittings to the “La Maura” betting shop, for Euro 90 thousand to motor vehicles and other assets and for Euro 43 thousand to sundry assets.

No financial expenses have been capitalized in property, plant and equipment, since the Group does not have qualifying assets, as defined under IAS 23.

Leasing

The Group has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various points up to April 30, 2018. These agreements include redemption and/or extension clauses.
The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a historic cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an amortisation provision, as of December 31, 2015, of Euro 1,076 thousand.

The following table shows the minimum future instalments of the financial leasing contracts:

thousands of Euro	**Total**
Total amounts as of December 31, 2015	488
of which	
Payments falling due within 12 months	416
Payments falling due between 1 to 5 years	72
Payments falling due after 5 years	-
Redemption	724

The remaining instalments due for operating leases do not present significant amounts.

16. Intangible assets

Intangible assets as of December 31, 2015 amounted to Euro 472,260 thousand (Euro 334,388 thousand). The change over the year is due to the combined effect of amortisation for the year for Euro 40,808 thousand, net disposals for Euro 403 thousand, investments, amounting to Euro 5,859 thousand and business combination, less accumulated amortisation, amounting to Euro 173,209 thousand and reclassification amounting to Euro 15 thousand.

thousands of Euro	Goodwill	Concessions, licenses, trademarks and similar rights	Industrial patent rights and use of intellectual property	Other	Assets in progress and advances	Total
Cost						
Balance as of December 31, 2014	**231,605**	**256,789**	**16,430**	**19,894**	**375**	**525,093**
Business combination	74,672	102,975	8,191	50,306	263	236,407
Reclassification		196	-	26	(207)	15
Other increases		1,540	819	3,207	293	5,859
Decreases	-	(117)	-	(278)	(336)	(731)
Balance as of December 31, 2015	**306,277**	**361,383**	**25,440**	**73,155**	**388**	**766,643**
Depreciation and impairment losses						
Balance as of December 31, 2014	**74**	**164,348**	**12,956**	**13,327**	**-**	**190,705**
Business combination	-	53,591	6,471	3,136		63,198
Annual depreciation	-	35,613	1,445	3,750		40,808
Write-downs		-	-	-		-
Disposals		(74)	-	(254)		(328)
Reclassification		-	-	-		-
Balance as of December 31, 2015	**74**	**253,478**	**20,872**	**19,959**	**-**	**294,383**
Carrying amounts						
As of December 31, 2014	231,531	92,441	3,474	6,567	375	334,388
As of December 31, 2015	306,203	107,905	4,568	53,196	388	472,260

Increases resulting from business combinations are related to the consolidation of the Cogemat Group, as well as to the business unit related to SIS and to Finscom S.r.l..

Investments of Euro 5,859 thousand mainly concern:

- "Concessions, licences, trademarks and similar rights", amounting to Euro 1,540 thousand, related to the issue of gaming machine (AWPs) authorisation;
- "Industrial patents rights and use of intellectual property", amounting to Euro 819 thousand, of which Euro 175 thousand for CRM licenses, games management and reporting, Euro 150 thousand for licenses related to virtual games, Euro 121 thousand for licences related to the management of the SNAI portal, Euro 55 thousand for software related to the management of automated testing of the systems produced by SNAI, Euro 310 thousand for development and implementation of software and Euro 8 thousand for in-house uses;
- "Other", for Euro 3,207 thousand, of which Euro 1,392 thousand for in-house developed software, Euro 71 thousand for the management of games and betting, Euro 816 thousand for AWP game cards to update the gaming machines, Euro 363 thousand for the implementation of SNAI.IT portal, Euro 35 thousand related to operating programmes for administration, finance and control, Euro 321 thousand for other management and gaming programmes and Euro 2 thousand for the new functions of the Comsy system and Euro 207 thousand for other investments;
- "Assets in progress and advances", amounting to Euro 293 thousand, of which: Euro 160 thousand of development costs related to the former Trotto area, Euro 29 thousand for the restyling of some betting shops and Euro 12 thousand for the issuing of the gaming machine (AWPs) authorisation.

No financial expenses have been capitalised in intangible assets, since the Group does not have qualifying assets, as defined under IAS 23.

Goodwill amounts to Euro 306,203 thousand, and is allocated to the following cash generating units (CGU):

- Euro 294,623 thousand to the consolidated "Concessions" GCU, of which (i) Euro 219,241 thousand generated through acquisition of the concessions business units as from March 16, 2006 and (ii) Euro 710 thousand generated by the business combination for the acquisition of the shareholding in Agenzia Ippica Monteverde S.r.l. (now merged into SNAI S.p.A.), which together coincide with "Concessions" CGU recognised in the separate financial statements of SNAI S.p.A. The amounts related to the "Concessions" CGU are added with Euro 857 thousand generated by the combination due to the purchase of Finscom S.r.l., net of the impairment loss resulting from measurements made at year end on the Purchase Price Allocation process, which had been preliminarily implemented at the purchase date. These amounts also refer to Euro 2,362 thousand generated by the combination and related to the rent with purchase commitment of the SIS S.r.l. business unit, always net of impairment loss resulting from the aforesaid testing on the occasion of the final Purchase Price Allocation, and Euro 71,453 generated by the combination and related to the purchase of the shareholding in Cogemat S.p.A. This CGU includes, at consolidated level, the business related to the horse racing and sports betting concessions, to the concession for the management and operation of the network for the on-line management of legal gaming

machines and the related assets and functions (slot machines - AWPs and video-lottery - VLTs) and activities related to skill, bingo and casino games;
- Euro 11,137 thousand to the Betting Services CGU, provided by SNAI Services Spazio Gioco S.r.l., incorporated into SNAI S.p.A. in 2002, consisting of activities related to telematic services provided a bet acceptance points.
- Euro 443 thousand contributed by Teleippica S.r.l. and referring to the Television Services CGU, consisting in the operations related to television services.

The maximum combination level of CCUs are the operating sectors, as envisaged by IFRS 8.

In accordance with international accounting standards, and in particular by IAS 36, goodwill is subjected to impairment testing on an annual basis, or more frequently in the presence of indication of possible permanent losses in value. If the test shows a loss of value, the SNAI Group recognises a write-down on the balance sheet.

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 type of 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 impairment tests on the carrying amount of the shareholding concerned the Services CGU, the Concessions CGU included in the separate financial statement of SNAI SpA, the Television Services CGU and the new contributions to the consolidated Concessions CGU, resulting from the business combinations for the purchase of the company Finscom srl, for the rent with purchase commitment of the SIS S.r.l. business unit and for the purchase of the company Cogemat S.p.A.

Notwithstanding what specified hereunder, cash flows for all CGUs tested for impairment were developed based on the budget assumptions and the 2016-2019 Guidelines, as approved by the Board of Directors of SNAI S.p.A. on April 21, 2016. The WACC used to discount the cash flows was considered equal to 8.83%. As regards the aforesaid CGU, for the purposes of calculating the residual value, a normalised cash flow was extrapolated from the last year of explicit projection (2020), to which an annual growth rate ("g") of 0.5% was applied. The terminal value also takes into account any disbursements necessary on a periodic basis to renew the concessions, where applicable.
As regards business combinations:

- for the impairment test of goodwill resulting from the acquisition of the subsidiary Finscom S.r.l., cash flow assumptions taken from the 2016 budget and 2016-2019 Guidelines were used. These projections were also extended for a further two-year period (2020-2021) to take account of the effects of the restructuring process completion. 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). The WACC (Weighted Average Cost of Capital) used to discount the cash flows was equal to 11.5%, also due to the reduced size of the company;
- as regards the impairment test of goodwill resulting from the rent with purchase commitment of the SIS S.r.l. business unit cash flow assumptions taken from the 2016 budget and 2016-2019 Guidelines were used. These projections were also extended for a further two-year period (2020-2021) to take account of the effects of the restructuring process completion. 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). The WACC (Weighted Average Cost of Capital) used to discount the cash flows was equal to 10.3%, also due to the reduced size of the company;
- as regards the impairment tests of goodwill resulting from the acquisition of Cogemat Group, the recoverable value was determined based on cash flow projections included in the company's 2016-2019 Guidelines. These projections were also extended for a further two-year period (2020-2021), consistently with the scheduled maturity term of the license for VLT and AWP gaming machines. Cash flows related to the "Television Services" CGU were developed based on assumptions included in the 2016 budget. For subsequent 2017-2020 years, an improvement of cash flows was assumed with respect to provisions set out in the 2016 budget, due to less investments compare with the first reference year.

As regards the "Concessions" CGU, the analyses made resulted in a recoverable value of Cash Generating Units higher than the carrying amount, for the portion of goodwill generated up to December 31, 2015, in addition to the amount related to the acquisition of the shareholding in the company Cogemat spa. In particular, as per the first issue, we note that the excess of the value in use in the "Concessions" CGU, compared to the carrying amount (including the goodwill attributed to it), equal to Euro 334.9 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 3.2 percentage points in the annual payout related to the value assumed in the budget and other estimated hypotheses; (ii) increase of 9.8 percentage points of the annual discount rate; (iii) a final rate of negative nominal growth of 9.5%; iv) a reduction in EBITDA used as a reference of 31% based annually. It should be noted that the surplus of value will remain positive even if it is assumed, at equal conditions, that the nine-year concessions will not be renewed after 2025. As regards the portion related to the acquisition of the company Cogemat S.p.A., the cancellation of the difference is worth noting, with a reduction in EBITDA used as a reference of 49% based annually.

As regards the portion attributable to the acquisition of the company Finscom and the rent with purchase commitment of the business unit of SIS S.r.l., as described in section 4 "Business Combinations", the Group provided for the write-down of the goodwill previously determined, upon the Purchase Price Allocation, in the amount of Euro 6,089 thousand, for the portion related to the acquisition of the company Finscom and of Euro 5,136 thousand for the portion related to S.I.S. transaction.

In relation to the "Services" CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 40.4 million, becomes nil with an 18 % increase in the discount rate. No change assumptions have been made in the basic assumptions underlying the cash flows, since the latter have not undergone any significant changes and are still in line with forecasts and they are based on well-established contractual relationships.

With regard to the "Television Services" CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 8.4 million, becomes nil with a 31.6 increase in the discount rate. No change assumptions have been made in the basic assumptions underlying the cash flows, since the latter have not undergone any significant changes and are still in line with the forecasts and they are based on well-established contractual relationships.

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

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.

17. Investments

The investments are set forth in the following table.

	Carrying Amount	**Carrying Amount**	**Percentage of interest**	
thousands of Euro	**As of December 31, 2015**	**As of December 31, 2014**	**As of December 31, 2015**	**As of December 31, 2014**
Affiliates and subsidiaries accounted under equity method				
- Hippogroup Roma Capannelle S.p.A.	1,036	1,059	27.78	27.78
- Alfea S.p.A.	1,454	1,256	30.70	30.70
- Connext S.r.l. in liquidation	-	-	25	25
- Solar S.A.	-	3	30	30
- C.G.S. Consorzio Gestione Servizi in liquidation	-	-	50	-
- Teseo S.r.l. in liquidation	-	-	100	100
Total investments accounted under the equity method	**2,490**	**2,318**		
Other				
- Lexorfin S.r.l.	46	46	2.44	2.44
- Obiettivo 2016 S.r.l.	4	-	0.01	-
Total Other Investments	**50**	**46**		

On February 4, 2015 the shareholders' meeting of Connext S.r.l. resolved to wind up the company.
On April 8, 2015, the company Finscom S.r.l was acquired. This company owns 50% of the consortium Consorzio Gestione Servizi in liquidation.
On November 19, 2015 the entire share capital of Cogemat S.p.A. was transferred, also including a shareholding of 0.01% in the company Obiettivo 2016 S.r.l..
The composition of the whole Group, and the consolidation methods used, are disclosed in Schedule 1.

18. Deferred tax assets and deferred tax liabilities

The aggregate amount of the temporary differences and tax losses carried forward are set forth in the following tables, together with the theoretical amount of deferred tax assets and liabilities, and the amounts in the consolidated accounts.
The Group reported deferred tax assets and deferred tax liabilities equal to a net amount of deferred tax assets of Euro 29,223 thousand (the net amount of deferred tax assets, as of December 31, 2014, amounted to Euro 21,411 thousand). It is worth noting that, compared to the previous year, the increase in net value of deferred tax assets and liabilities is related to the acquisition of the Cogemat Group which, as of December 31, 2014 were not included in the consolidation area.
On a preliminary basis, it is worth noting that the 2016 Stability Law has set out a reduction of the IRES rate from 27.50% to 24.00%, with effect on the taxable period after the current one as of December 31, 2016. Due to the above change, the Group calculated deferred tax assets and liabilities by applying the IRES tax rate of 24%, except for

temporary differences which will be absorbed during 2016 and for which the IRES tax rate of 27.5%, currently in force, was maintained.

Temporary differences	Amount	Rate	Tax impact	Deferred tax Assets Recorded	Reversal period
Allowance for doubtful debts	80,165	27.50-24.00%	20,154	19,304	2016 and following
Provision for risks and charges	23,483	27.50%-24.00%-32.62%-29.12%	6,903	6,903	2016 and following
Provision for the obsolescence of the inventory	203	24.00%-29.12%	57	57	2016 and following
Difference between the book value and the tax value of property, plant and equipment and intangible assets	9,637	27.50%-24.00%-32.62%-29.12%	509	509	2016 and following
Interest expense not deducted as per art. 96 of Tuir	117,343	24.00%	28,162	17,638	2017 and following
Other temporary differences	5,850	27.5%-24.00%	1,580	1,580	2016 and following
Total	**236,681**		**57,365**	**45,991**	

Tax losses carried forward from prior years	Amount	Rate	Tax effect	Deferred tax Assets recorded	Usable by
SNAI S.p.A. tax consolidation:					
Year 2008	17,895	24.00%	4,295	4,295	eligible for being carried forward indefinitely
Year 2009	10,200	24.00%	2,448	2,448	eligible for being carried forward indefinitely
Year 2010	29,060	24.00%	6,974	6,974	eligible for being carried forward indefinitely
Year 2011	27,186	24.00%	6,525	6,525	eligible for being carried forward indefinitely
Year 2012	34,422	24.00%	8,261	8,261	eligible for being carried forward indefinitely
Year 2013	75,454	24.00%	18,109	2,989	eligible for being carried forward indefinitely
Year 2014	12,587	24.00%	3,021	3,021	eligible for being carried forward indefinitely
Year 2015	3,874	24.00%	930	-	eligible for being carried forward indefinitely
Total prior losses for SNAI S.p.A. tax consolidation	**210,678**		**50,563**	**34,513**	
Finscom S.r.l.:					
Year 2012	1,467	24.00%	352	-	eligible for being carried forward indefinitely
Year 2013	796	24.00%	191	-	eligible for being carried forward indefinitely
Year 2014	1,010	24.00%	242	-	eligible for being carried forward indefinitely
Year 2015	1,408	24.00%	338	-	eligible for being carried forward indefinitely
Total prior losses related to Finscom S.r.l.	**4,681**		**1,123**	**-**	
Cogemat S.p.A. tax consolidation:					
Year 2010	45,157	27.50%	12,418	-	eligible for being carried forward indefinitely
Year 2012	11,354	27.50%	3,122	3,122	eligible for being carried forward indefinitely
Year 2013	54,776	27.50%	15,063	15,063	eligible for being carried forward indefinitely
Year 2015	6,060	27.5%-24.00%	1,470	1,470	eligible for being carried forward indefinitely
Total prior losses for Cogemat S.p.A. tax consolidation	**117,347**		**32,074**	**19,656**	
Total prior losses	**332,706**		**83,760**	**54,169**	
Total Deferred tax assets				**100,160**	

The changes in deferred tax assets:

	As of December 31, 2014	Business combination	Allocations set aside	Uses	As of December 31, 2015

Deferred tax assets	80,004	28,891	6,334	(15,069)	100,160

As of December, 31 2015, the Directors of the SNAI S.p.A. have confirmed their assessment of recoverability concerning the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss, except for what has been specified.

The above-mentioned recoverability is based on the predictions of future positive results in the business plans.

It should be noted that no deferred tax assets were recognised on the loss of the SNAI Group for 2015, resulting from tax consolidation, resulting in an unrecognized potential tax asset of Euro 930 thousand.

It should be also noted that, on the tax loss resulting from the same tax consolidation for 2013, recognized deferred tax assets amounted to Euro 2,989 thousand against a potential tax asset of Euro 18,109 thousand. In fact, regardless of the fact that the Inland Revenue Office accepted the request filed by the Parent Company on the deductibility, for IRES tax purposes, of amounts paid to settle the dispute with ADM at the Court of Auditors, equal to Euro 63,000 thousand, the Parent Company's Directors deemed advisable not to record the deferred tax assets on this amount.
That having been said, the total receivables on tax losses, resulting from the tax consolidation of the SNAI Group, amounted to Euro 34,513 thousand, while the unrecognized tax benefit on prior losses amounted to Euro 16,050 thousand.

With respect to interest expenses incurred by SNAI S.p.A. that will be deductible in future fiscal years in accordance with Art. 96 of the Presidential Decree 917/1986, it should be noted in 2014 SNAI recorded a deferred tax assets of Euro 2,363 thousand, against a potential tax benefit amounting to Euro 5,941 thousand. No deferred tax assets were recognised on retained interest expense accrued by the Parent Company during the year under evaluation, against a potential tax benefit amounting to Euro 6,825 thousand.

Finally, it should be noted that, concerning the temporary differences between book values and tax values of the related assets/liabilities pertaining to the companies of the Cogemat Group, as well as tax loss accrued in the tax consolidation of Cogemat S.p.A., deferred tax assets amounting to Euro 26,635 thousand were recognised against a potential tax benefit of Euro 39,053 thousand. In fact, no deferred tax assets were recognised on tax losses for 2010 resulting from tax consolidation, against a potential tax benefit of Euro 12,418 thousand.

Finally, it should be noted that, concerning the temporary differences between carrying amounts and tax values of the related assets/liabilities pertaining to the subsidiary Finscom S.r.l. (excluded from the tax consolidation of SNAI S.p.A.), as well as accrued tax loss of the same, deferred tax assets amounting to Euro 8 thousand were recognised against a potential tax benefit of Euro 2,101 thousand. In fact, no deferred tax assets on tax losses carried forward were recognised against a potential tax benefit amounting to Euro 1,123 thousand, on interest payable carried forward pursuant to Art. 96 of the Presidential Decree 917/1986, against a potential tax benefit amounting to Euro 120 thousand, as well as on the provision for doubtful debts subject to taxation, against a potential tax benefit amounting to Euro 850 thousand.

It should be noted that, on September 30, 2015 and for the 2015-2017 period, the adhesion option to the tax consolidation, to be exercised in the 2015 Tax Return, was renewed as per articles 117 and following of the Presidential Decree 917/1986 between the consolidating company SNAI S.p.A. and the consolidated company Teleippica S.r.l.. At the same time, the option to adhere to the tax consolidation between SNAI S.p.A. and the newly established subsidiary Snai Rete Italia S.r.l. was exercised for the same period.

It should be also noted that for the 2013-2015 period, the option for the tax consolidation is currently in force, as per articles 117 and following of the Presidential Decree 917/1986, between the consolidating company SNAI S.p.A. and the consolidated company Società Trenno S.r.l..

It should be noted that the adoption of consolidated taxation may have some beneficial effects on the Group’s tax burden, including the possibility of immediate full or partial application of tax losses for the period incurred by the companies participating in the consolidation scheme to reduce the income reported by the other consolidated companies and to recover the excess interest expense not deducted by the consolidated companies due to the excess of Gross operating income (GOI) of the other companies participating in the consolidation scope.
SNAI S.p.A., as the consolidating entity, is required to make an advance payment on account for the balance of the corporate income tax (IRES) based on the consolidated income statement.

Under the existing agreements, the income tax on the taxable income transferred to the consolidating entity is then paid by off-set against the credit balance created by the early payments, amounts deducted at source, deductions of tax or transfers for any other reason, any amounts that cannot be off-set are payable within 90 days after the Company’s receipt of the request from the consolidated companies.

In the event that the consolidated companies transfer tax credits to SNAI S.p.A., that transfer implies an indemnity to those companies in the amount of the tax credits thus transferred.

Benefits deriving from the transfer of tax losses from SNAI S.p.A. will be paid within 90 days from reception by the Parent Company of the request sent by the consolidated company, irrespective of the fact that these losses have been actually used.

The responsibility for the tax liability that may arise on SNAI S.p.A. as consolidating company, as a result of miscalculations in the taxable income reported by the consolidated companies, remains on the consolidated companies.

For sake of clarity, it is worth highlighting that the subsidiary Cogemat adheres to a different domestic tax consolidation, which includes the same Cogemat S.p.A. as consolidating company, and its subsidiaries Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A. as consolidated companies. The tax consolidation agreement currently in place between the aforesaid companies sets out that, if group taxation no longer exists, the company, no longer adhering to the tax consolidation regime, which transferred tax losses over the valid period related to the option for tax consolidation, is entitled to receive such tax losses back if they had not yet been used by the Group.

Temporary differences	Amount	Rate	Tax effect	Deferred tax liabilities recorded
Amortisation of goodwill	(11,435)	24.00%-29.12%	(3,142)	(3,142)
Amortisation of goodwill on business segments	(147,781)	24.00%-29.12%	(41,955)	(41,955)
Amortisation of commercial network	(46,564)	31.4% 27.5%	(13,101)	(13,101)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(39,986)	24.00%-29.12%	(11,662)	(11,662)
Other temporary differences	(3,936)	27.5%-24.00%	(1,077)	(1,077)
Total deferred taxes	(249,702)		(70,937)	(70,937)

The changes in the provision for deferred taxes are shown below:

	As of December 31, 2014	Business combination	Allocations set aside	Uses	As of December 31, 2015
Provision for deferred taxes	58,593	1,031	18,038	(6,725)	70,937

Directors of SNAI S.p.A. have decided, in accordance with IAS 12, to record the deferred tax liabilities generated by all of the temporary differences between the carrying values and the fiscal values of the related assets/liabilities. In particular, the going concerns acquired are business combinations and, accordingly, have been recorded using the acquisition method specified by IFRS 3. Therefore, the Company has recognised the identifiable assets and liabilities at fair value at the acquisition date and it recorded the goodwill only after the allocation of the acquisition cost as described above. Goodwill is not subject to amortisation but to impairment testing on an annual basis, while amortisation cost for tax purposes is regulated by Art. 103, paragraph 3, of the Presidential Decree 917/1986; this difference gives rise to deferred tax liabilities.
The item "Amortisation, commercial network", equal to Euro 46,564 thousand, with tax effect equal to Euro 13,101 thousand, results from the acquisition of Cogemat Group. In particular, after recognising assets and liabilities identifiable, in the transferred company, at the related fair value and at the acquisition date, a portion of the difference between purchase cost (made up by the share capital increase carried out by SNAI S.p.A.) and transferred Shareholders' Equity was allocated to the Commercial Network of the Cogemat Group, based on the related fair value.
The "difference between the carrying amount and the fiscal value of property, plant and equipment" of Euro 39,986 thousand, with tax impact of Euro 11,662 thousand, mainly relates to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 37,583 thousand with tax impact of Euro 10,961 thousand), as well as properties and land in Milan previously owned by the incorporated company Immobiliare Valcarenga S.r.l. (Euro 1,369 thousand, with tax effect equal to Euro 400 thousand), merged into SNAI S.p.A. with effect on January 1, 2015.

19. Inventories

Compared to December 31, 2014 inventories decreased by Euro 155 thousand. The breakdown of the "Inventories" item is shown below:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Raw materials	184	21	163
Semi-finished products	-	8	(8)
Finished products/goods	457	457	-
Total	**641**	**486**	**155**

The value of inventories is shown net of the provision for inventory depreciation, equal to Euro 203 thousand as of December 31, 2015 (Euro 206 thousand as of December 31, 2014). The decrease is due to the uses in the period.

20. Trade receivables

The trade receivables are comprised of the following:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Trade receivables			
- from third parties	203,323	96,757	106,566
- from foreign third parties	20	14	6
- from MIPAAF	3,434	13,397	(9,963)
- from stables, jockeys and bookmakers	837	759	78
- bills for collection	1,206	1,176	30
- allowance for doubtful receivables	(72,651)	(53,617)	(19,034)
Total	**136,169**	**58,486**	**77,683**

Trade receivables due from third parties included the balances as of December 31, 2015 due from operators for accepting bets (Betting and Gaming Machines), net of the compensation due to those operators, in addition to receivables form operators of Gaming Machines for the reduction of their remunerations provided for by the 2015 Stability Law. The increase in trade receivables is primarily related to the acquisition of Cogemat Group and the outstanding portions of receivable due by Gaming machine operators as envisaged by the Stability Law. As of December 31, 2015, the receivables from such operators amounted to Euro 31,776 thousand, including Euro 11,223 thousand related to SNAI S.p.A. and Euro 20,553 thousand related to Cogetech S.p.A.. To this purpose, it should be noted that as the Group did not receive such amount from the operators, the Group did not pay the same amount to ADM within the term of October 31, 2015, as set out by the Stability Law (for further details see Note 30 Other liabilities). Based on certain advices received from its consultants, the Group believes that it is not co-responsible for the payment of the amount related to the operators of the Gaming Machines and, accordingly, the Group has not credit risk on the receivables due by the operators (for further information see Note 27, Other liabilities).
Trade receivables from customers also include the receivables subject to legal action in the amount of Euro 51,960 thousand, including Euro 39,031 thousand related to SNAI S.p.A. and Euro 12,930 thousand related to the Cogemat Group. (Euro 42,376 thousand as of December 31, 2014).
Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture, Foodstuff and Forestry Policies), amounted to Euro 3,434 thousand (Euro 13,397 thousand) and include:

- Euro 1,840 thousand (Euro 4,216 thousand) for receivables of the Società Trenno S.r.l. The item “Receivables from MIPAAF” includes receivables accrued in 2015 and the last tranche of the 2000 investment fund, in the amount of Euro 90 thousand, for the racetrack in Montecatini and in the amount of Euro 506 thousand for the racetracks in Milan. As regards current work services, the following amounts are still to be collected: fees for television broadcasts from July to December 2015 (December invoiced in January 2016), fees for the use of facilities for the months of November and December 2015 (December invoiced in January 2016), and fees for horse races from August to December 2015, invoiced in March 2016.
- Euro 1,594 thousand (Euro 9,181 thousand) related to the agreement made by Teleippica S.r.l. for transport services, the processing and transmission of video and audio signals from domestic and foreign racetracks, and the production and transmission of the UNIRE BLU channel dedicated to betting shops for “national” horse betting; daily presentation and broadcast of programmes and other connected services. In 2015, in fact, MIPAAF made payments for a total amount of Euro 15,952 thousand, compared to Euro 13,307 thousand of the previous year. Moreover, due to the new law governing the split payment of public administrations, Euro 2,007 thousand were offset with respect to VAT applied on invoices issued to the customer MIPAAF.

The provision for doubtful receivables was calculated taking into consideration the amount of receivables that were doubtful, analysing debtors’ specific conditions and any security that had been provided towards the companies of the Group, and also carrying out an assessment on the possible recovering of overdue receivables, and disputed receivables, based on the opinions of the Group’s lawyers. Considering the company-backed guarantees obtained from debtors, directors believe that this provision is adequate to cover all foreseeable future losses on receivables.

The following table shows the changes in the provision for doubtful receivables from third parties:

thousands of Euro	Written down individually	Written down collectively	Total
As of January 1, 2014	**45,824**	**281**	**46,105**
Allowance for the year	15,565	48	15,613
Reclassifications	-	-	-
Utilization	(8,101)	-	(8,101)
As of December 31, 2014	**53,288**	**329**	**53,617**
Business combination	20,454		20,454
Allowance for the year	11,814	-	11,814
Reclassification	(40)	-	(40)
Utilisation	(13,194)	-	(13,194)
As of December 31, 2015	**72,322**	**329**	**72,651**

As of December 31, 2015 the analysis of trade receivables overdue but not written down is as follows:

			Overdue but not written down		
thousands of Euro	**Total**	**Not yet due/in bonis**	**0-90 days**	**90-180 days**	**>180 days**
Total 2015	136,169	106,213	10,545	2,932	16,479
Total 2014	58,486	29,069	5,044	3,562	20,811

21. Other non-financial assets

Other non-current assets, classified under “other non-financial assets”, are broken down as follows:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Other non-financial assets			
Tax receivables			
- for tax refund	-	91	(91)
- for taxes under dispute	-	193	(193)
	-	**284**	**(284)**
Receivables from others:			
- guarantee deposits	1,134	1,488	(354)
- other receivables	6	-	6
	1,140	**1,488**	**(348)**
Receivables from clients:			
- bills for collection	522	195	327
- third parties	1,642	-	1,642
	2,164	**195**	**1,969**
Total Other non-financial assets	**3,304**	**1,967**	**1,337**

Guarantee deposits decreased by Euro 354 thousand, mainly due to the repayment of Euro 500 thousand of the guarantee deposit provided in favour of a player as a result of the malfunction of the Barcrest VLT platform.
Other current assets are composed as follows:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Other current assets			
Tax Receivables:			
- from IRES down payment /credit	2,561	245	2,316
- from IRAP down payment/credit	4,419	962	3,457
- from VAT	115	-	115
- other	548	588	(40)
	7,643	**1,795**	**5,848**
Receivables from others:			
- Gaming Machines security deposit	37,228	14,213	23,015
- Advance payment on ADM concession fees	182	-	182
- Advance payment of concession fee and other receivables from ADM	2,445	1,873	572
- Escrow deposit	651	-	651
- Receivables from ADM for winnings on National Horse Racing	81	159	(78)
- Guarantee deposit for on-line gaming (Skill/Bingo)	345	268	77
- Receivables from Skill Games	15	213	(198)
- Other receivables from Betting Acceptance Points	-	139	(139)

- Receivables for ADM position related to purchases of business units	327	327	-
- Receivables for payment of PREU interest and sanctions that were not due	2,114	2,114	-
- Receivables from Bluline electronic purse	226	226	-
- Benefits entities	100	81	19
- Other receivables	4,068	1,792	2,276
- Allowance for doubtful account	(1,074)	(2,118)	1,044
	46,708	**19,287**	**27,421**
Accrued income and prepaid expenses			
- Accrued income	89	-	89
- Prepaid expenses	3,832	3,427	405
	3,921	**3,427**	**494**
Total other current assets	**58,272**	**24,509**	**33,763**

The gaming machines security deposit of Euro 37,228 thousand (Euro 14,213 thousand) is equivalent to 0.5% on the gaming transactions generated by the gaming machines (AWP and VLT), as described in greater detail in Note 5, "revenues from sales of goods and services." The amount of Euro 15,223 thousand is related to SNAI and the amount of Euro 22,005 thousand is related to Cogemat Group.

The escrow deposit, equal to Euro 651 thousand, was allocated to confirm the binding intention to the rent with commitment to purchase of the business unit SIS. This amount is not interest-bearing and is equal to 5% of the payment, equal to Euro 1,300 thousand, decreased by the monthly rental of the company (Euro 100 thousand on a monthly basis, plus VAT from July 22).

The Advance payment of concession fee and other receivables from ADM, equal to Euro 2,445 thousand, includes Euro 1,951 thousand related to the fixed amounts paid in advance to ADM for the first and second half of 2015 and relates to the concession fee for horse racing and sports betting and for on-line gaming. For further details, reference is made to Note 10.

The following table shows the changes in the allowance for doubtful receivables from third parties:

thousands of Euro	**individually**
As of January 1, 2014	**2,145**
Provisions for the year	80
Reclassification	-
Utilisation of provision	(107)
As of December 31, 2014	**2,118**
Business combination	212
Provisions for the year	175
Reclassification	39
Utilisation of provision	(1,470)
As of December 31, 2015	**1,074**

Among the prepayments, the table shows:

- Euro 2,397 thousand (compared to Euro 2,673 thousand), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for gaming machines;
- Euro 1,435 thousand (Euro 754 thousand), primarily related to consultancy related to the Cogemat transaction still underway and costs of maintenance and assistance contracts, that have not yet accrued, etc.

22. Financial Assets

The non-current financial assets consist of the following:

thousands of Euro	**As of December 31, 2015**	**As of December 31, 2014**	**Change**
Option rights	-	245	(245)
AWP deposits	1,773	999	774

Total non-current financial assets	**1,773**	**1,244**	**529**

The option right for the purchase of 51% of the share capital of House Bet S.r.l., incorporated on July 25, 2013 to manage the wagers of gaming machines. The purchase price of the option right amounted to Euro 245 thousand. In the event the purchase option is exercised, this amount will be deducted from the purchase price upon execution of the shareholding transfer deed.

At year end, this instrument was measured at fair value and impaired, given the target performance and the fact that the right was likely to be exercised.

AWP deposits are related to contracts with a sector operator.

The current financial assets consist of the following:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Escrow accounts and restricted deposits	19,853	19,662	191
Eonia Plus Pioneer allowance	1,483	-	1,483
Current account for IZILove Foundation	95	-	95
Società Fiorentina Corse Cavalli shares swap	1	1	-
Total current financial assets	**21,432**	**19,663**	**1,769**

The escrow accounts and restricted deposit, which were opened by the Parent Company in order to manage the amounts resulting from the offsetting between the receivables from ADM under the Di Majo award, and the liabilities for wagers, due every two weeks (the so-called "former ASSI fifteen-days payments"), are unavailable while waiting for ADM's decisions after the judgement of the Rome Court of Appeal of November 21, 2013, which stated that the arbitration award issued on May 26, 2003 (known as "Di Majo Award") was void and ineffective.

The unavailable amounts on bank current accounts relate to amounts that are temporarily unavailable because of enforcement order of third party's claims; it is noted that such amounts involve attachments applied to various bank current accounts on the basis of the same enforcement order.

The Eonia Plus Pioneer allowance is a financial product, which is promptly payable and envisages investments in short-term State securities of the main Member States of the Eurozone, to which added value investments strategies are connected. This provision is managed by Pioneer Investments.

The bank current account of IZILove Foundation comprises the amounts exclusively intended for social solidarity projects and charity.

Non-current financial assets, the special current account, the escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 39).

23. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Current bank accounts	105,478	68,100	37,378
Postal deposits	772	326	446
Cash on hand	1,338	203	1,135
Cash and cash equivalents	**107,588**	**68,629**	**38,959**
Bank overdrafts	-	-	-
Net cash and cash equivalents	**107,588**	**68,629**	**38,959**

24. Shareholders' Equity

The share capital of the Parent Company, SNAI S.p.A., as of December 31, 2015, entirely subscribed and fully paid in, amounted to Euro 97,982,245.40 (60,748,992.20 as of December 31, 2014), and is comprised of 188,427,395 ordinary shares, of which 116,824,985 listed on the Italian Stock Exchange (116,824,985 as of December 31, 2014).

On September 28, 2015, the extraordinary Shareholders' Meeting resolved on a divisible increase with consideration of SNAI's share capital, excluding the option right pursuant to Art. 2441, par. four, first sentence, of the Italian Civil Code, for a maximum nominal amount of Euro 37,233,253.20, through the issue of 71,602,410 maximum new ordinary shares of the Company. The latter are to be released by the current shareholders of Cogemat through the payment by kind of 100% of the ordinary shares held by them in Cogemat share capital. On September 30, 2015, the above-mentioned transfer deed was signed, which became effective on November 19, 2015, upon fulfilment of the related conditions precedent. On November 24, 2015, the certification of the share capital increase was deposited at the Company's Register in Lucca.

The holders of ordinary shares are entitled to receive such dividends as are resolved upon from time to time and are entitled to cast one vote at the Company's meeting for each share they hold.

	Listed on the Italian Stock Exchange	**Unlisted**	**Total**
Number of shares authorised	116,824,985	71,602,410	188,427,395
Number of shares issued and fully paid up	116,824,985	71,602,410	188,427,395
Nominal value per share (in Euro)	0.52	0.52	0.52

All shares issued are ordinary shares.
The subsidiary Finscom S.r.l. owns 70,624 SNAI shares for a nominal value of Euro 36,724.48.

Reserves

Legal Reserve and Share Premium reserve
In April 28, 2015, the amounts of the share premium reserve were reduced to zero to cover the losses for the 2014 financial year. On November 19, 2015, following the acquisition of Cogemat Group, totalling Euro 140 million, this reserve was formed, in the amount of Euro 102.6 million, reduced by the ancillary charges borne for the share capital increase, net of the tax effect.

Cash Flow Hedge Reserve
The cash flow hedge reserve, related to the recording of derivatives being taken directly to equity (see Note 35) was reduced to zero.

Post-employment benefit reserve (IAS 19)
The reserve for the re-measurement of post-employment benefits (IAS 19), equal to Euro (849) thousand, is formed by recognition of actuarial gains/losses as of December 31, 2015.

Treasury share reserve
The treasury share reserve was made up of SNAI shares owned by the subsidiary Finscom S.r.l. at the date in which SNAI S.p.A. and SNAI Rete Italia S.r.l. purchased Finscom S.r.l.

Profit (loss) carried forward
Retained profit (loss) amounted to losses of Euro (9,793) thousand and changed during the year, mainly by effect of the loss for 2014.

Shareholders' Equity pertaining to minority interests
As of December 31, 2015 minority interests show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

25. Other components of the comprehensive income statement

The other components of comprehensive income mainly relate to the recognition of derivatives directly in cash flow hedge reserve in shareholders' equity (for further detail see Note 35) and SNAI shares owned by Finscom S.r.l. (for further detail see Note 24).

The following table show details of the other components of the comprehensive income statement.

	For the year ended December, 31	
	2015	**2014**
Derivate instruments for hedging:		
Adjustment to cash flow hedges	2,930	2,930
Tax effect	(806)	(806)
Hedge derivatives	**2,124**	**2,124**
Treasury shares	**(111)**	**-**

Fair value of securities held for trading	**11**	**-**
(a) Subtotal	**2,024**	**2,124**
Remeasurement of defined-benefit plans for employees (IAS 19):		
Actuarial gains/(losses)	(179)	(397)
Tax effect	50	109
(b) Subtotal	**(129)**	**(288)**
Other comprehensive Income/(loss) net of taxes (a+b)	**1,895**	**1,836**

26. Loss per share

Basic loss per share
The calculation of the basic loss per share as of December 31, 2015 was made taking into consideration the loss attributable to the holders of ordinary shares, for Euro 54,231 thousand (December 31, 2014: loss of Euro 26,082 thousand) and the weighted average number of outstanding ordinary shares during the period ended December 31, 2015, equal to 124,051,448.08 shares (December 13, 2014: 116,824,985).

The amount was calculated as follows:

in thousands	For the year ended December 31,	
	2015	2014
Net loss for the year (a) in thousand of Euro	(54,231)	(26,082)
Average weighted number of ordinary shares /1000 (b)	124,051.45	116,824.99
Basic loss per share (a/b) in unit of Euro	**(0.44)**	**(0.22)**

Diluted loss per share
The diluted loss per share is equal to the basic loss per share, given that no financial instruments with potentially dilutive effects have been issued.

27. Post-employment benefits

The Post-employment benefits as of December 31, 2015 amounted to Euro 8,641 thousand against Euro 4,602 thousand as of December 31, 2014.
The following table shows the movements therein:

thousands of Euro	
Balance as of January 1, 2015	**4,602**
Business combination	**3,669**
Other changes	615
Accruals	418
Utilization	(757)
Financial charges	75
Actuarial loss	283
Actuarial gain from change in demographic assumption.	-
Actuarial gain from change in fin. assumptions	(264)
Total actuarial loss	19
Balance as of December 31, 2015	**8,641**

Post-employment benefits are considered to be defined-benefit plans and are accounted for in accordance with IAS 19, applying the projected unit credit method, which consists of estimating the amount to be paid to each employee at the time of their leave, and discounting that liability to current value on the basis of an assumption as to the timing of their resignation calculated using actuarial methods.

The main assumptions adopted are summarized in the following table:

Summary of Economic Technical Bases	
Financial assumptions	
Annual discount rate	2.03%
Annual inflation rate	1.5% for 2016 1.8% for 2017

	1.7% for 2018 1.6% for 2019 2% from 2020 onwards
Rate of increase in post-employment benefits (TFR)	2.625% for 2016 2.85% for 2017 2.775% for 2018 2.7% for 2019 3% from 2020 onwards
Annual rate of increase in salaries	1%

Summary of technical demographic basis

Demographic assumptions	
Death	RG48 mortality tables published by the General Accounting Office of the State
Invalidity	INPS tables by age and gender
Pension	100% achievement of requirements of the General Compulsory Insurance

Table of annual frequency of turnover and advances on employee termination indemnities

Company	**Advances**	**Turnover**
SNAI S.p.A.	2.50%	4.00%
Teleippica S.r.l.	1.00%	9.00%
Società Trenno S.r.l.	2.00%	5.00%
Finscom Srl	1.50%	10.00%
Snai Rete Italia	3.50%	8.00%
Cogetech	1.50%	7.00%
Cogetech Gaming	1.50%	7.00%

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 of December 31, 2015

(amounts in thousands of Euro)

Change in assumptions	**Balance**
+1% on turnover rate	8,593
-1% on turnover rate	8,687
+1/4% on inflation rate	8,774
-1/4% on inflation rate	8,503
+1/4% on discount rate	8,451
-1/4% on discount rate	8,829

The average financial duration of the bond for defined-benefit plans as of December 31, 2014 ranged from 7 to 13 years.
The following table shows expected disbursements related to the plan:

Expected disbursements

Years	***thousands of Euro***
1	901
2	746
3	761
4	823
5	858

28. Financial liabilities

The non-current financial liabilities are comprised on the following table:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Non-current financial liabilities			
Bond loan	573,030	463,561	109,469
Due for financial leasing	71	1,208	(1,137)
Total non-current liabilities	**573,101**	**464,769**	**108,332**
Current financial liabilities			
Current portion of long-term loans from banks	-	19,552	(19,552)
Due to financial leasing	1,295	1,151	144
Due for interest on bond loans	2,166	2,148	18
Due to banks	71	40	31
Due to "Betting Acceptance Points" for the purchase of horse racing and sports Concessions business segments	32	32	-
Total current financial liabilities	**3,564**	**22,923**	**(19,359)**

The financial liabilities include:

- the bond loans stipulated on December 4, 2013 and July 20, 2015 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 573,030 thousand, (nominal value of Euro 590,000 thousand) and stated net of direct ancillary charges/income. These ancillary charges/income, totalling Euro 25,156 thousand, include professional fees related to the signature of the contracts, as well as the tax payable on the assumption of the loan, as well as gains resulting from the pricing difference of the last bond loan issued. The amount reversed to income statement as of December 31, 2015 amounted to Euro 3,253 thousand;
- financial liabilities for financial lease contracts, totalling Euro 1,366 thousand, mainly relate to the residual balances on contract for the acquisition of a building situated in Porcari (Lucca) and of technology for use in betting acceptance points, described in greater detail in Note 15, "Property, plant and equipment".

There are no non-current financial payables being due after 5 years from reporting date.

On November 8, 2013, SNAI S.p.A. entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds ("Facility A" and "Facility B"), the issue of which was resolved on November 5, 2013 by SNAI S.p.A.'s Board of Directors. The Class A bonds, issued in the amount of Euro 15,000 thousand, were repaid on December 4, 2013 and on May 5, 2015 Class B bonds were entirely repaid.

On December 4, 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics:

- Euro 320,000 thousand, with 7.625% interest rate and called Senior Secured Notes, with maturity date on June 15, 2018;
- Euro 160,000 thousand, with 12.00% interest rate and called Senior Subordinated Notes, with maturity date on December 15, 2018.

The Bonds were initially subscribed by J.P. Morgan, Banca IMI S.p.A., UniCredit AG and Deutsche Bank AG, London Branch, pursuant to a purchase contract signed on the same date with SNAI, and were then placed exclusively with institutional and professional investors. Procedures for the listing of Notes were then started on the Euro MTF market, organized and managed by the Luxembourg Stock Exchange, together with procedures for the secondary listing at the ExtraMOT Pro segment, organized and managed by Borsa Italiana. These procedures are now completed.

Senior Secured Notes and the Senior Revolving Facility are also backed by a pledge on SNAI shares, issued by a majority shareholder of the Company. The related security agreement between the Company and the majority shareholder was submitted to the favourable binding opinion by the SNAI Related Party Committee.

On November 27, 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A. and Intesa Sanpaolo S.p.A. On July 28, 2015, during the refinancing transaction connected with the acquisition of Cogemat Group, UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A., Milan Branch, committed themselves, provided that some conditions precedent be fulfilled, to supply SNAI S.p.A. with a further Euro 25,000 thousand, at the same terms and conditions set out in 2013, thus increasing the credit line to a total amount of Euro 55,000 thousand. The above-

mentioned conditions precedent occurred on December 10, 2015. The Senior Revolving Facility had not been used as of December 31, 2015.
On July 20, 2015, the Board of Directors of SNAI approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity term on June 15, 2018. Bonds were initially subscribed by J.P. Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed at qualified investors. The Bonds are listed on the Euro MTF market, organised and managed by the Stock Exchange of Luxembourg. As regards the acquisition with the Cogemat Group, revenues resulting from the issue of Bonds were used by the Company for the partial early cash repayment of payables resulting from some loans related to Cogemat and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on July 21, 2015, for a total principal up to Euro 110 million, with maturity term on June 15, 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on annual basis. The Bond issue and regulation took place on July 28, 2015. The related amounts are credited on an escrow account until the occurrence of conditions precedent and upon enforceability of the acquisition of Cogemat Group. On November 18, 2015, following the occurrence of the aforesaid conditions precedent, the funds were made available to the Company.

A summary of Bonds and Credit Facilities is shown in the following table:

amounts in thousands of Euro

Financial payables	Nominal Amount	Term	Interest period	Maturity	Repayment	Date of payment	Disbursed amount
Senior Secured Notes	320,000	4 years and 6 months	6 months	06.15.2018	Bullet	12.04.2013	320,000
Senior Subordinated Notes	160,000	5 years	6 months	12.15.2018	Bullet	12.04.2013	160,000
Senior Revolving Facility	55,000		1, 3 or 6 months	12.15.2017	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.		-
Senior Secured Notes	110,000	3 years and 5 months	6 months	06.15.2018	Bullet	07.28.2015	110,000
Total	**645,000**	**Total amount disbursed as of December 31, 2015**					**590,000**

As regards information on covenants in place on Loan Agreements, reference is made to Note 39.1.

29. Provisions for risks and charges, pending litigations and potential liabilities

SNAI is a party into proceedings before civil and administrative courts, and in the context of other legal actions, connected with its ordinary course of business. On the basis of the information currently available, and taking into consideration the existing provisions for risks and charges, SNAI Group considers that those proceedings and actions should not result in material adverse effects upon the consolidated financial statements.
This section provides a summary of the most significant proceedings; except as indicated otherwise, no provisions have been made in relation to the disputes described below for which the Group considers an unfavourable outcome in the proceedings to be possible (namely, not probable) or where the amount of such a provision cannot be reliably estimated.

As of December 31, 2015 the provisions for risks and charges amounted to Euro 27,099 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

thousands of Euro	Provision for technological renewals	Provision for tax disputes, litigations, contractual risks and other	Total
Balance as of December 31, 2014	**686**	**10,152**	**10,838**
Business combination	1,684	1,513	3,197
Accrual for the period	562	15,206	15,768
Utilization	(686)	(2,018)	(2,704)
Balance as of December 31,2015	**2,246**	**24,853**	**27,099**

Provision for technological renewals
The provision for technological renewals consists of periodical allocations for technological upgrading, as set out in the concession agreement for management of networks of gaming machines, in accordance with Article 110, par. 6, of the T.U.L.P.S. Consolidated Text of Public Safety Laws, as per the Royal Decree no. 773 of 18 June 1931, and following amendments and supplements.

Provision for tax disputes, litigations and contractual risks
The provision for risks 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 24.853 thousand.

Accruals for the period, for a total amount of Euro 15,206 thousand, include Euro 2,381 thousand related to possible liabilities related to personnel disputes, as set out in the agreement signed with SIS for the rent and the subsequent purchase of a business unit (for more details see Note 4); Euro 591 thousand related to legal disputes with employees; Euro 2,508 thousand related to potential liabilities concerning transactions with some managers; Euro 4,067 thousand related to legal fees concerning the Barcrest dispute, Euro 5,230 thousand related to legal disputes and fees; Euro 221 thousand related to possible administrative disputes, Euro 100 thousand for charges connected with companies in liquidation; Euro 37 thousand related to the measurement at equity of the affiliate Solar S.A., and Euro 71 thousand related to other risks.

The utilizations for the period, for a total amount of Euro 2,018 thousand, are related, in the amount of Euro 701 thousand, to transactions with employees including related legal fees. They are also related, in the amount of Euro 359 thousand, to foreseen disbursements in transactions with players of 2 October 2012, in the amount of Euro 150 thousand to the use for legal fees concerning the Barcrest transaction and, in the amount of Euro 398 thousand, to other uses. Moreover, the provision allocated for a tax assessment, in the amount of Euro 410 thousand, was released after the relevant settlement in respect thereto.

SNAI

Disputes concerning the gaming machines: ADM's objections for alleged breaches in the management of the remote network

In the month of June 2007, ADM issued contractual penalty notices for the same amounts claimed in the same year by the public prosecutor at the Court of Auditors of the Lazio Region (this last proceeding has now been concluded following the Company's adhesion to finalise tax assessments as per Art. 14 of Law Decree 102/2013).
The Company has lodged an appeal with the Regional Administrative Court (TAR) contesting the ADM decisions.

The TAR firstly suspended their enforceability and then declared them null and void through ruling no. 2728 of April 1, 2008, now res judicata. As regards the first group of three objections - regarding the alleged delay in start-up, activation and running of the Network - ADM issued the related penalties with notices 33992/Giochi/UD on September 2, 2008 38109/Giochi/UD on October 1, 2008, and 40216/Giochi/UD on October 16, 2008, for a total amount of over 2 million Euro, served to SNAI, which objected these proceedings before the Lazio Regional Administrative Court (TAR). The related administrative judgement was favourable to SNAI as the State Council declared the orders to pay these three penalties null and void.

In its deed 2011/6303/Giochi/ADI of February 22, 2011, ADM formally resumed the proceedings in order to enforce a fourth penalty for the alleged failure to comply with the specified service level of the Gateway in the period between July 2005 and March 2008, when the above-described contractual addendum eliminated that provision for the future.

On the basis of the data and criteria developed by the Technical Committee referred to above, and in compliance with the annual ceiling introduced with the last addendum to the contract, ADM imposed said penalty on SNAI S.p.A., calculated as a total of Euro 8,480,745.00 (reduced to Euro 7,463,991.85 to meet the reduced ceiling for the year 2005 on the assumption that the Council of State confirms the first three penalties).

SNAI, as a result of partial access to the computer database compiled by SOGEI S.p.A., with its brief of June 8, 2011, nevertheless made point-by-point defensive arguments concerning the method and substance, the reliability and correctness of the charges, reserving the right to expand on those arguments after complete access to the records.
On September 28, 2011, access to the information was supplemented by on-line queries via the access gateway.
The information extracted is covered in the technical opinion of Prof. Listanti, which formed the basis for the preparation of a supplementary defensive paper filed with ADM on October 27, 2011.

With deed no. 2012/7455/Giochi/ADI dated February 2, 2012 and received on following February 27, 2012, ADM imposed on SNAI the penalty under Article 27 (3) (b) of the Concession Agreement in conjunction with Annex 3 (2), for a total amount of around Euro 8.5 million.
On April 27, 2012, SNAI filed notice of appeal to challenge that measure before the Administrative Court, with a request to declare it null and void, while suspending its enforceability pending the final decision.
On May 24, 2012, the Second Section of the Lazio Regional Administrative Court, by virtue of its order no. 1829/2012, suspended the enforceability of the fourth penalty at scheduled the trial on the merits for February 20, 2013.

On 20 February 2013, the hearing was held, and on June 17, 2013, ruling no. 6028/2013 was deposited. With this decision the Second Section of the Lazio Regional Administrative Court (TAR) upheld the request of SNAI and annulled the ADM penalty.
On January 28, 2014, SNAI was served with the notice of ADM's appeal against the ruling no. 6028/2013.
On March 28, 2014, SNAI filed a memorandum and a cross-appeal only to the ruling no. 6028/2013 which was unfavourable to the company.
Following the hearing for discussion that was held on 26 May 2015, the decision was expressed with ruling no. 5496/2015, with which the Council of State accepted the appeal submitted by SNAI, thus finally cancelling the penalty for the non-appointment of the commission intended to determine the levels of service, as well as the appeal lodged by the Board of Directors for the determination of a penalty other than the decision made by Regional Administrative Court (TAR).

By virtue of the above and of the conclusion of the proceeding, to date there is no risk for the Company.

Disputes concerning the gaming machines: proceedings on reporting procedures started by the Public Prosecutor before the Court of Auditors ("Corte dei Conti") and consequent decision on accounts

Proceeding on reporting procedures

The object of the proceeding is the assessment of the mandatory disclosure of the accounts related to concession holders of the legal gaming through AWPs and VLTs.

In April 2010, the regional public prosecutor at the Court of Auditors notified SNAI and other gaming concession holders of a claim under article 46 of Royal Decree no. 1214/1934, and an application under article 41 of the Royal Decree 1038/1933, for the formation of the official account, on the basis of an alleged failure to present a "statement of accounts" in respect of the cash flows arising from the management of gaming activities, as network concession holder.

By Decree of the President of the Lazio Section of the Court of Auditors the trial has been resumed and a deadline set for the related filing. In its defensive brief, SNAI challenged the arguments of the public prosecutor holding the absence of managing public money subject to the PREU tax.

On April 27, 2010 the Regional Prosecutor started a legal action requesting to condemn SNAI S.p.A. for failure to present the above accounts. The Court, at the preliminary hearing for appearance and discussion held on October 7, 2010 in respect of the penalty sought by the Prosecutor for the alleged delay in reporting, heard the arguments in favour of and against SNAI and the other concession holders prosecuted for the same reasons. The attorneys developed arguments on the substantial absence of legal grounds of the requests of the investigating Prosecutor. The attorneys also argued that the Court of Auditors should evaluate the requests for exoneration from responsibility in respect of the delay for the contemporary reporting procedures based on on-line communication of the data relevant to SOGEI S.p.A. instead of applying the rules laid down for someone who "handled" public money in a historical era as far back as 1862.

At the hearing of October 7, 2010 the Court of Auditors, in its ruling no. 2186/2010, totally rejected the Prosecutor's demands charging ADM with failure to present a judicial account. On March 11, 2011 SNAI was served notice of the Prosecutor's appeal.

In the view of the Company's legal advisors, the grounds of the appeal may be reasonably overcome; on that basis, technical defences have been prepared for the hearing scheduled for March 13, 2013. At the hearing of March 13, 2013 the matter was deferred to a new hearing on December 18, 2013 and the decision was upheld.

As it did for the appeals of other concession holders, with ruling no. 5 of 3 January 2014, the Court of Auditors deemed that the accounting default claimed by the Prosecutor was actually present. The fine, however, was remarkably reduced from hundreds of millions of euros to Euro 5,000.00, duly paid, thus accepting the correct calculation of the fine claimed by SNAI.

The Company was served with the above ruling on July 3, 2014, with payment term of 30 (thirty) days. The Company provided for the payment on July 10, 2014; therefore, the proceeding can be deemed as finally settled. The updating is however supplied for sake of clarity, also in view of the strict connection between the above-mentioned decision and the decision on accounts described hereunder.

Decision on accounts

The object of the decision is the audit on the correct contents of the accounts submitted by concession holders of legal gaming through AWPs and VLTs.

In addition to the Proceedings on reporting procedures, in the course of 2012, a decision on account proceeding was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court of Auditors. At the hearing of January 17, 2013 the rapporteur made reference, in order to support the report, to an opinion provided to ADM by the United Sections of the Court of Auditors, concerning the new form of court accounting, and the Court adjourned the hearing to May 16, 2013 placing copies of that opinion at the disposal of the parties.

With ruling no. 448/2013, deposited on June 14, 2013 the Lazio Court of Auditors' Jurisdictional Section stated that the decision on accounts was ineffective and its decision was transmitted to the Regional Prosecutor for assessing any possible administration liabilities.

SNAI appealed the ruling. The hearing at the Court of Auditors' First Jurisdictional Section was held on April 10, 2015.

With decision no. 304/2015 of April 30, 2015 the Court of Auditors' Third Section annulled the decision of first instance holding that the case could not be concluded with a sentence indicating the impossibility of taking further proceedings without performing first a detailed audit of the reports filed for the case. The decision of the Appeal ordered the Lazio Regional Section to review the audit in order to reach a final decision whether to discharge or not from the accounts, as well as the items that were not equivalent (the related amount is unavailable). Upon order of the Appeals Section of the Court, all documents related to judicial reporting, already returned to the ADM, were retransmitted to the Lazio Regional Section.

The appeal ruling being executed, 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 SNAI's legal adviser, can by described as remote, at the moment. The Directors have therefore recognised a provision only for the estimated legal costs of the technical defence.

Malfunctioning of the Barcrest VLT platform (16 April 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). Such requests referred to 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 circumstance - and as a result of the ADM's order to block the system - SNAI S.p.A. immediately prevented access to the Barcrest System to perform the necessary verifications and inspections. As from that date, the Barcrest System has been stopped. 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.

In this context 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.

In particular, as at December 31, 2015 98 proceedings were filed, including 10 interim orders temporarily enforceable, which can be summarised as follows:

- in two cases, the gamers obtained an award of about Euro 500,000,00. In one of these cases SNAI, after obtaining the suspension of the interim order, applied for and obtained a seizure over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the enforceability was suspended with SNAI's payment of Euro 500,000.00. The Court concluded the proceedings declining jurisdiction and ordered the release of the guarantee deposit with consequent return of the corresponding amount to SNAI. After December 31, 2015 SNAI obtained repayment of the corresponding amount paid in the guarantee deposit. In the remaining seven cases, the enforceability was suspended pending summary examination of the substantive case. In five of those cases, the executive proceedings started were i) discontinued in three cases, ii) suspended in two cases with scheduling of the hearing for the extinction of the judgement on June 29, 2016.

It should be also pointed out that
i) two cases have expired due to inactivity of the plaintiff;
ii) in one case two orders were issued pursuant to Art. 186 of the Italian Code of Civil Procedure (hereinafter "*c.c.p.*"), of which one was revoked upon motion filed by SNAI.
For the other case, the players started a legal action against SNAI, which objected;
iii) twenty-six transactions were subscribed (referred to twenty-four proceedings), seven of which were subscribed after December 31, 2015;
iv) fifteen proceedings were settled with decisions favourable to SNAI (of which ten have revoked of the interim orders obtained by players and five rejected the requests of the players), of which six decisions deposited after December 31, 2015;
v) thirty-six proceedings were settled with decisions favourable to SNAI (essentially by reason of lack of territorial jurisdiction of the Judge). A great number of these players were summoned before the Court of Lucca.

In all of the above proceedings, SNAI has and will appear before the Court to challenge the claims for payment based on arguments of fact and law. In fact, as already communicated by SNAI to the market and to the relevant Regulatory Authority, no "jackpot' was validly obtained at any time during the day of April 16, 2012.

It should be noted that the lawsuit filed by SNAI against Barcrest and its subsidiary for damages occurred to SNAI has been settled through waiver of the legal action, legal expenses offset, and the parties reached an agreement on pending cases and level of payment of damages and costs already borne by SNAI, including specific guarantees on possible outcomes of pending cases.

Proceedings for revocation/expiry of certain rights awarded upon the conclusion of the Bersani Tender Procedure

The directorate general of ADM, through 108 different decisions, has given notice of the revocation of the authorization, and the expiry/termination of rights, for failure to activate and/or unauthorized suspension of gaming (with reference to 108 rights assigned to SNAI further to the "*Bersani*" tender procedure) and with reference to other three rights, ADM has given notice of start of proceedings for the revocation of authorization and termination of the right (with reference to three rights assigned to SNAI further to the "*Bersani*" tender procedure). The Company promptly brought the matter before the Lazio Regional Administrative Court.

The issues have not yet been resolved.
On the basis of the legal advice obtained, and in light of the uncertain nature of disputes in this area, SNAI currently considers risks of losing these lawsuits as possible.

Disputes related to the betting business: Guaranteed minimum service levels

SNAI received a number of notices from ADM concerning the reduced level of transactions concerning certain horseracing and sports Concessions in the years 2007-2008 for which ADM has requested the minimum guaranteed service fees. We report the latest developments regarding the various measures analysed by year of dispute.

With notices no. 2009/20716 of May 29, 2009 ADM requested to SNAI payment of the minimum guaranteed amounts for the year 2008, for a total of approximately Euro 11.1 million. On 17 September 2009, the Company, acting through its legal adviser, filed a special appeal with the Lazio Regional Administrative Court for the suspension and subsequent cancellation of the decisions requiring such minimum payments for.
With decision no. 10860/2009 published on November 5, 2009 the Lazio Regional Administrative Court upheld the appeal submitted by SNAI, therefore challenging ADM's demands related to the year 2008.
A similar procedure was carried out in respect of ADM's demand for 2009 concerning 204 horse racing betting concessions for a total amount of Euro 7.4 million. An interim application was brought before the Lazio Regional Administrative Court, with a view to accelerating resolution of the dispute.
Following several litigation brought before the same Court by a large number of betting acceptance points concession holders related to the guaranteed minimum fees for the years 2006 and 2007, the Court deposited the decisions no. 6521 and 6522 of 7 July 2009, holding the request of payment of ADM as illegitimate, as they were not anticipated by the safeguard measures set out in the law in respect of those concession holders existing prior to the opening of market pursuant to Law Decree no. 223/06 (the so-called Bersani reform). The Regional Administrative Court (TAR) declared that ADM was legally obliged to adopt those measures, in order to achieve a re-equilibrium of the operating conditions of the concessions in place prior to these reforms.
Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by ADM in view of the adoption of such safeguard measures.
It should also be noted, with regard to the minimum guaranteed amounts, that SNAI had complied with ADM's request in relation to 2006, paying guaranteed minimums for an amount of Euro 2.4 million. The amount paid was registered within the receivables from ADM, as it is now considered recoverable. The Parent Company informed ADM that it would be seeking to enforce its rights in all appropriate venues, in order to have a recalculation on an equitable basis of all the amounts requested, and an evaluation of the conduct of ADM. Recently, upon the appeal of the Company and other concession holders, the Lazio Regional Administrative Court revoked ADM's demands and requested the adoption of the "safeguard" measures, in view of the fact that with the Bersani tender procedure, and other subsequent tender procedures, the territorial exclusivity originally granted under some concessions, were no longer valid following the award of a large number of additional concessions for sports and horse racing betting.

Finally, also on the basis of notices sent by ADM to another concession holder, starting from the first half of April 2011 the receivable of Euro 2,429 thousand for the above-mentioned guaranteed minimum amounts related to the year 2006 paid by the parent company to ADM in prior years has been offset against current liabilities, connected to former ASSI amounts.

On January 12, 2012 ADM notified 226 requests for payment of minimum guaranteed amounts. Subsequently two further requests addressed to the former Agenzia Ippica Monteverde S.r.l. - payment requests of minimum guaranteed amounts for the years 2006-07-08-09-10, for a total amount of Euro 25,000 thousand on the assumption that the "safeguarding methods", previously not in place, had expressly been provided in Article 38 (4) of Law Decree no. 223/06. It has now become apparent, however, that it was impossible to adopt a standard for calculating minimum guaranteed amounts, other than the standard repeatedly challenged by several decisions of the Lazio Regional Administrative Court, some of which have now become definitive. SNAI requested the Lazio Regional Administrative Court to annul those orders and to temporarily suspend their enforceability. The hearing for discussion of the interim measures was set for March 21, 2012.

By virtue of decision no. 1036/2012 of March 22, 2012 the Second Section of the Lazio Regional Administrative Court (also acknowledging the steps taken to resolve the question of the safeguarding measures) temporarily suspended the new requests to pay the minimum guaranteed amounts for 2006-2010, fixing the hearing for the merits as of 5 December 2012.

On June 20, 2012 ADM notified to SNAI 226 requests for payment of minimum guaranteed amounts - and one additional request addressed to the former Agenzia Ippica Monteverde S.r.l. - for integrations to minimum guaranteed amounts for the years 2006-07-08-09-10-11. Such requests amounted to an aggregate of Euro 24.9 million.
Compared to the previous round of demands of January 2012, the new request on one hand includes additional sums allegedly owed for the year 2011, not yet been requested by ADM; on the other hand a 5% reduction in the amount requested pursuant to Article 10 (5) (b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of April 26, 2012.
Pursuant to this provision in respect of the "*amounts for collection pursuant to article 12 of Presidential Decree no. 169 of April 8, 1998, as supplemented*" (the "minimum guarantee amounts"), *"the equitable definition, of a reduction not higher than 5 per cent of the sums still payable by the concession holders, pursuant to said Presidential Decree no. 169 of 1998, with identification of the methods of payment of such amounts, and adjustment of the guarantees".*
On July 20, 2012, an application was made to the Lazio Regional Administrative Court also for the interim suspension and subsequent cancellation of those requests of payment.
Following the hearing on September 12, 2012, the Second Section of the Lazio Regional Administrative Court stated that the requests put forward by ADM were to be considered as simple offers of settlement, and did not have the effect of binding requests if not accepted by the concession holder. This interpretation leaves the Company open to defend any attempt to that ADM might pursue for a forced collection of the amounts. On the other hand, confirms the suspension of similar requests that ADM issued on December 30, 2011 already suspended on an interim basis by the same court, in order no. 1036/2012.
Additional reasons have also been proposed for the further request of guaranteed minimum amounts in connection with the bet concession no. 426, similar to those previously contested, but which was notified by ADM only on August 7, 2012.
At the hearing scheduled for December 5, 2012 together with that already fixed in connection with the lawsuits against the previous orders to pay the minimum guaranteed amounts, the Court reserved the decision.

Through decision no. 1054, deposited on January 2013 30, the Court second section upheld SNAI's arguments concerning alleged breach of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered suspension of the proceedings, and passed 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 interest in the lawsuit.
For the entire duration of the proceedings before the Constitutional Court, the suspension of the proceedings continues to operate, to the benefit of SNAI, preventing ADM from enforcing the requests. The hearing before the Court was held on 8 October 2013 and the decision was upheld.
With decision no. 275 of November 20, 2013 the Constitutional Court claimed that Article 10, par. 5, lett. b) of the Law Decree no. 16/2012 in respect of the wording "not higher than 5 per cent" violates the Italian Constitution.
The above wording is therefore cancelled.
On 6 June 2013, SNAI 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 cases, SNAI contested such notices before the Lazio Regional Administrative Court, asking for their cancellation.
At the hearing of June 6, 2014 the Second Section of the Lazio Regional Administrative Court took on both cases for ruling.
With decisions no. 7323/14 of 10 July 2014 and no. 8144/14 of July 24, 2014 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 and no payment claims were made by ADM for the years after 2012, also by reason of the fact that concessions, to which the guaranteed minimum amounts are related, have expired and have been replaced by new concession holders who are not related to ADM.
The Group, supported by the advice of its legal counsels, considers that the risk of an unfavourable outcome is substantially non-existent and consequently has made no provision for risk.

Legal proceedings related to the 2015 Stability Law

Administrative proceeding

The 2015 Stability Law has provided that the Group had to pay the Stability Tax on a prorata basis. The proportional share of the Stability Tax for concession holders and operators of VLTs and AWPs for 2015 is defined by the directorial order – pursitna to Article 1, par. 643, letter l) of the 2015 Stability Law - issued by ADM (the "**ADM Decree**"). Pursuant to 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWPs are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWPs under concession license, regardless of the fact that these machines are managed directly by the concession holder or by third parties.

Concession holders are bound to pay their share of Stability Tax, as provided for by the ADM Decree, and to request for related contributions from partners who manage VLTs and AWPs on the basis of concession licenses. Pursuant to the ADM Decree, the amount of the Stability Tax due to the SNAI Group for 2015 was determined, on a prorata basis, for an amount of Euro 37.8 million to be paid in two instalments: 40% within April 30, 2015 and the remaining 60% within October 31, 2015. Pursuant to requirements set out by the 2015 Stability Law and the ADM Decree, the SNAI Group (i) instructed its partners to pay their share of Stability Tax proportionally to the number of VLTs and AWPs managed on the basis concession licenses granted by the SNAI Group and (ii) tried to renegotiate the terms and conditions of agreements that govern the concession agreements with the partners in order to include some of the technical changes set forth by the 2015 Stability Law.

On February 13, 2015 (together with other concession holders of VLTs and AWPs), SNAI contested the above ADM Decree before the Lazio Regional Administrative Court ("TAR"), holding that the part of the 2015 Stability Law setting out the Stability Tax violated Italian Constitution and the EU regulation, and that, based on its wording, the 2015 Stability Law did not envisage an obligation of the concession holders to pay Stability Tax based on the number of machines managed by commercial partners in relation to their license. The concession holder is not able to collect this share in advance from these operators. The partners, which were requested by the Group to pay the corresponding share of Stability Tax, based on the VLTs and AWPs managed through the Group concessions, adhered to the lawsuit against the ADM Decree by filing a cross-claim with respect to SNAI on both the payment request and the renegotiation of contract terms and conditions governing the related commercial relations. The plaintiffs requested for an urgent order to suspend the payment of the Stability Tax, while awaiting the decision on the merits. This request was rejected by the TAR Court with order no. 1461 of April 2, 2015.

The hearing for the discussion on the merits was held on July 1, 2015. As a result of this hearing, the Second Section of the TAR Court, with council order no. 9747 of 20 July 2015, ordered the acquisition of documents by ADM and SNAI, especially on the corporate accounts regarding the extent of wagers managed through gaming machines. Therefore, the Court further adjourned the hearing to October 21, 2015.
In the meantime, in view of the fact that no new regulations were envisaged to settle the critical issues already highlighted by SNAI and the other concession holders, and that payments due by operators were still widely unsettled, SNAI and the other concession holders filed a new interim application to the Administrative Court. The Second Section of the Lazio Regional Administrative Court fixed the discussion of the matter at the hearing of October 21, 2015 already scheduled for the discussion on the merits.

With decision no. 4523, on October 22, 2015 the Second Section of the Lazio Regional Administrative Court rejected the interim application and reserved on the decision.

With appeal filed before the Council of State, SNAI asked for the reform of the interim decision no. 4523, issued by the Regional Administrative Court, after granting of presidential interim measures as per Art. 56 of the "Administrative process code" for the suspension of the payment, upon maturity term of October 31, 2015 (at least) for the portion of the amount that SNAI did not receive from third-party operators in the wagers segment. With decision no. 4939 of October 30, 2015 the President of the IV Section of the Council of State rejected the interim application. The hearing of the Court, originally scheduled on November 24, 2015 was postponed to December 1, 2015.

With decision no. 5375 of December 2, 2015 the Council of State rejected the interim appeal.

With decision no. 14140, published on December 16, 2015 the Second Section of the Lazio Regional Administrative Court requested the Constitutional Court to rule on the possible breach of the Italian Constitution by Article 1, par. 649 of Law no. 190/2014., with respect to Articles 3 and 41, par. 1 of the Constitution, substantially accepting the objections raised by SNAI concerning 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.

The interim judgement before the Constitutional Court will be formally made after the transfer of the proceedings to the Council by the Lazio Regional Administrative Court, with following publication of the order on developments in the Official Journal, Special Section of the Constitutional Court.

Meanwhile, the judgement before the Lazio Regional Administrative Court will be 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.

Civil proceeding (SNAI vs. Acilia Games S.r.l.)

By means of a writ of summons notified on December 17, 2015 pursuant to Law no. 53 of 1994, Acilia Games S.r.l. (together with other 435 operators of the segment of legal gaming) sued SNAI (together with other concession holders of legal gaming, including Cogetech) with the following conclusions:

(a) assess 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) assess 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, stop the concession holders to perform such actions under penalty of payment of Euro 10,000 for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

(c) assess that the renegotiation proposals from concession holders are unilateral and are against the general duty of good faith;

(d) 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) assess 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, concession holders should be ordered to pay the amount of Euro 10,000.00 for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

SNAI will appear in Court in due form for the first hearing scheduled on May 9, 2016.

In the opinion of the legal advisers, given the fact that the plaintiff's claims are groundless, and have already been rejected during the proceedings filed pursuant to Article 700 of the Italian Code of Civil Procedure, the risk of an unfavourable outcome is remote.

Penalties for exceeding the AWP quotas

Following the request formulated by ADM on June 22, 2012, concerning the information about the locations of the AWPs that presumably exceeded the limits set out by the rules on quota restrictions in force at the time, determined by the presence of machines concerning several concessionaires in the months of January-August 2011. In its memorandum of January 31, 2013 SNAI requested that the anomaly be corrected, while at the same time cancelling the payment order formulated by ADM as a form of self-remedy. In light of that evidence, the amount of Euro 1.470 million has been provisioned to provide full coverage for any risks this may represent. Lastly, ADM further asked the payment of the entire amount by 31 October and SNAI, due to the huge amount of checks functional to the payment and in agreement with other concession holders, on the one hand filed a formal request for cancellation of such notices, as a form of self-remedy to the payment claim, and on the other hand objected such order before the Administrative Court.
We are awaiting the dates to be set for the hearing on the discussion of the appeal.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007: the company Omniludo S.r.l. has sues SNAI, alleging a breach of obligations under an existing contract between the parties for the "*management, maintenance and assistance by Omniludo S.r.l. for slot machines*" (the "Contract of June 29, 2005"), requesting the Court:

  to verify and declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated June 29, 2005 and to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.
  The case was postponed to 10 December 2010 to allow for clarification of the pleadings and then postponed again to 17 June 2011. After clarification of the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (Case no. 4810/2010 described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10).
  With decision of February 10, 2012 the Court sent the case to the President of the section for combination of the lawsuits or reassignment of lawsuit 4810/2010 to Mr. Capozzi, who was the judge of the first proceedings.

- Case 4810/2010. Through writ of summons served on November 16, 2010, SNAI S.p.A., in view of the alleged grossly negligent breach of obligations under the Contract of June 29, 2005, sued Omniludo S.r.l. before the Court of Lucca, requesting the Court as follows:
  1) find and declare that Omniludo S.r.l. is in breach of trust and of the obligations under the aforementioned contract;
  2) find and declare that the Contract of June 29, 2005 is terminated on the grounds of Omniludo S.r.l.'s serious breaches of its contractual and statutory obligations;
  3) order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter "c.c.p.") to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the President Judge of the Court of Lucca, who scheduled the trial for January 7, 2011.
The hearing was postponed to December 11, 2013.
By decision of March 12, 2012 the President Judge of the Court ordered that the case 4194/2007 be dealt with jointly with case 4810/201010 at the hearing of December 11, 2013 before Judge Frizilio with a view of a possible consolidation.
The aforementioned decision was appealed by Omniludo on April 3, 2012. The President Judge of the Court, holding that the substantive requirements for consolidation of the proceedings were met, ordered on 26 June 2012 that the case be referred to Judge Frizilio for the purposes of arranging the consolidation and clarification of the pleadings.

Indeed, at the hearing of December 11, 2013 the Judge decided on the consolidation of all pending proceedings with the case no. RGNR 4194/2007 and on the postponement of the hearing on March 17, 2014. Once the conclusions had been specified, the Judge indicated the deadlines for submission of the closing briefs.
With decision no. 1772/2014, the Judge rejected the claim for damages filed by Omniludo and the cross-claim filed by SNAI. The decision acknowledged on one hand the existence of an exclusive covenant in favour of Omniludo (while acknowledging its claims on a theoretical basis), but rejected, on the other hand, the claim of damages for lack of evidence on the quantification of damage suffered.

With deed of appeal, served on May 28, 2015, the company Omniludo Srl, in liquidation, file appeal against the decision no. 1772/2014 of the Lucca Court before the Court of Appeal of Florence, and invited SNAI to the hearing of October 15, 2015 – then postponed to November 26, 2016 by Decree of the President, Section I. Omniludo requested SNAI to pay all damages suffered by Omniludo due to the breach of the exclusive right set out in the agreement in force between the parties, in the amount of Euro 111,250,000.00, or in other amount determined by the Court.
With the support of the legal advisers, the Company is evaluating the notice of appeal received from Omniludo Srl, and will appear in Court in due terms with a cross-appeal. In any case, based on the legal advice obtained by the Company, the risk of unfavourable outcome can no longer be deemed as remote (certainly in respect of the quantity, more limited than the amount claimed by the claimant, or possibly on an equitable basis), although such risk may be mitigated by the decision to file a cross-appeal. Ultimately, this risk can be classified as possible.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. invited SNAI to appear before the Court of Lucca. Ainvest requires the Court to order SNAI to pay alleged brokerage fees - related to certain bank loans obtained by SNAI - in an amount of approximately Euro 4 million. SNAI appeared in Court contesting the plaintiff's claims. Following the hearing on February 15, 2013 the Judge ordered the translation of some documents filed by Ainvest in a foreign language. The case was assigned to another Judge on June 7, 2013 who postponed the hearing until October 11, 2013. In the meantime, Ainvest filed a request for the revocation of the order to translate the documents. At the hearing of October 11, 2013 the Judge ordered the appointment of an interpreter, setting the new hearing on May 16, 2014.
At that hearing, the Judge ruled that the documents were to be translated, giving to the expert appointed 180 days to carry out the appraisal (starting from June 16, 2014). The judge postponed the hearing for the examination of the appraisal to February 27, 2015. At this hearing the Judge postponed the case to June 16, 2015 to discuss the preliminary claims. At that hearing, the preliminary claims were discussed and the Judge postponed the case to hear the witnesses to December 2, 2015 and January 27, 2016 where some witnesses indicated by the parties were excluded. Upon request of both parties, the Judge scheduled another hearing on June 8, 2016 for the examination of other witnesses, and postponed the hearing on July 19, 2017.
Based on the opinions of their legal advisers, the Directors assess that the risk of losing the case is more than possible.

Potential assets: Receivables from the Di Majo Award

At the end of the 1990's, a dispute arose between various betting acceptance agencies and the Finance and Agriculture Ministries, regarding supposed delays and breaches by those Ministries.

The matter had a first conclusion in 2003, with the "Di Majo award", 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 damages occurred to the concession holders.
The compensation awarded to SNAI by 30 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 Ministries filed an appeal against that ruling before the Court of Appeal of Rome.
At the trial scheduled for December 14, 2012, the judgement on the case was reserved.
In addition to those legal events, on June 22, 2010 AssoSNAI (Association of the category of concessionaires) sent a memorandum to ADM proposing a possible 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 waiver by the Ministries of the trial before the Rome Court of Appeal.
ADM upon a formal legal query to the State Attorney General, informed AssoSNAI that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.
To date, the settlement agreement has not been signed.
The offset of the accounts receivable from the Di Majo Arbitration has already been authorised by a decree issued by the ADM; SNAI has arranged for such offsetting in the amount of Euro 2,498 thousand in respect of the receivables directly relevant to SNAI as concession holder.
Based on the above authorisation for offset, some entities no longer concession holders, assigned their receivables as resulting from the Di Majo Award to SNAI which has provided the offsetting of the entire amount of said receivables, 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.
With decision no. 2626 of November 21, 2013 the Court of Appeal in Rome decided that the Di Majo Award was void for lack of jurisdiction, i.e. the Arbitration Panel decided upon matters not falling within the competence of arbitrators.
SNAI appealed (on May 21, 2014 and submission to the Supreme Court thereafter on June 10).
To date, we are awaiting the dates to be set for the hearing on the discussion before the Supreme Court.

Allegations by ADM regional offices related to the 2006 PREU

This litigation concerns 41 notices issued by the regional offices of ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.
The aggregate amount of Penalties and PREU claimed is Euro 786,876.85 (Euro 193,427.76 in penalties + Euro 593,449.09 in PREU) plus interest.

SNAI has filed an appeal with the appropriate Provincial Tax Commission (CTP) against the assessment notices resulting from the complaints, with an initial request to suspend the enforceability of said notices.

With reference to the above procedures:

- ADM issued a decision for the cancellation in respect of four notices of assessment, as a form of self-remedy;
- in relation to 1 proceeding, the suspension was accepted. The CTP, after the hearing, rejected however the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional Tax Commission. The hearing on the merits was held on 20 April 2015; the CTR rejected SNAI's appeal and confirmed the assessment notice;
- for 15 proceedings, the hearings on the merits and suspension of provisional enforceability as of June 5, 2013 have been accepted and on July 24, 2013 the Court rejected the legal action filed by SNAI. Based on the above-mentioned rulings, SNAI filed an appeal with the appropriate Regional Tax Commission. The hearings on the merits were held on June 11, 2015 and after hearings held on 11 November 2015, the CTR rejected SNAI's appeal;
- for one proceeding, after accepting the suspension at the hearing of March 5, 2015 the CTP rejected SNI legal action for lack of jurisdiction.
- As regards one proceeding, the hearing on the suspension was held on December 12, 2014, and the CTP rejected the suspension. After various postponements, the hearing on the merits was held on February 16, 2016, at the end of which the Court reserved on the decision.
- for eighteen proceedings, the judgement has been issued upholding the legal actions brought by SNAI, three of which are referred to the closing of the litigation. ADM appealed the remaining fifteen rulings before the competent Regional Tax Commission and SNAI submitted its own objections. Seven proceedings are still pending at the Supreme Court following ADM's appeal against the decision of the Regional Tax Commission, which confirmed the first instance judgement thus rejecting ADM's request. The date of the hearing is still to be scheduled; for eight proceedings the hearings were held on July 13, 2015 and the Court rejected the appeal filed by ADM;
- for one proceeding, SNAI's legal action was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed.

The risk of an unfavourable outcome can be deemed as (i) effective, whenever SNAI's legal actions are rejected in both first and second instance, or (ii) possible, whenever sentences in both first and second instance and the Supreme Court are pending, as well as whenever, although SNAI's appeals have been accepted, the terms to the appeal before the Supreme Court by ADM have not elapsed yet.

Allegations by ADM regional offices related to the 2007 PREU

This dispute concerns 12 notices issued by the regional offices of ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.
The aggregate amount of Penalties and PREU claimed is Euro 82,101.58 (Euro 49,683.24 in penalties + Euro 32,418.34 in PREU) plus interest.
SNAI has filed a legal action before the appropriate Provincial Tax Commission against the assessment notices resulting from the complaints, with an initial request to suspend the enforceability of the notices.

With reference to the procedures we highlight the following:

- ADM issued a decision for cancellation in relation to one notice of assessment, as a form of self-remedy;
- in respect of two proceedings, the decision of the CTP has upheld the actions brought by SNAI (decision no. 62/13). Two appeals before the competent Regional Tax Commission were filed. SNAI filed counter-appeals and the hearing is to be set;
- for one proceeding, the hearing for discussion was held on 15 October 2015, at the end of which the Court rejected SNAI's legal action (decision filed on 11 December 2015).
- in respect of four proceedings, the hearings for discussion on the merits and suspension of provisional enforceability were held on 24 September 2015, at the end of which the Court upheld SNAI's legal actions (decision filed on December 10, 2015);
- for two proceedings the Court rejected SNAI's appeals;
- for one proceeding, the Court suspended the temporary enforceability of the assessment notice and a hearing on the merits was held on 6 May 2015, at the end of which the Court reserved the decision. A decision is still awaited;
- for one proceeding, after hearing held on 4 July 2013, the Court rejected the suspension request and postponed the discussion to a new hearing. The hearing on the merits was held on 2 July 2015 and the Court upheld the legal action with decision no. 877/2015.

The risk of an unfavourable outcome can be deemed as (i) possible, whenever decisions in both first and second instance are pending, and if the decisions favourable to SNAI are objected by ADM, (ii) effective, whenever SNAI's legal actions are rejected with decisions that are now definitive, or (iii) remote only when the request for suspension, filed by SNAI, is upheld, although the decision on first instance is still pending.

Allegations by ADM regional offices related to the 2008 PREU

This dispute concerns eight notices and/or assessment notices issued by the regional offices of ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.

In particular:

- in relation to two notices, the amount of which is undetermined, SNAI filed defensive briefs before the appropriate Court. Given that the notice on the outcome related to the evaluation of defence deeds and the following assessment notice have not been delivered, the case can be considered as expired;
- in relation to six assessment notices (followed by four objections for which SNAI filed defensive briefs), for a total amount of approximately Euro 380,000.00, SNAI filed legal actions against the above notices before the appropriate Courts. For two proceedings, the hearings were held on July 8, 2015 and October 5, 2015, respectively, at the end of which the Court rejected the claims of SNAI. For the other four proceedings, we are awaiting the dates to be set for the hearing on the merits and suspension.

The risk of an unfavourable outcome can be deemed as (i) remote when the objection notice is not followed by an assessment notice (as meanwhile the terms have expired) or (ii) possible when the decision of first instance is pending or if SNAI has decided to appeal the decisions rejecting its claims.

Additional penalties for exceeding the AWP quotes by Regional Offices

This relates to 152 notices served by various regional offices of ADM, in which ADM contested the installation of a number of AWPs exceeding the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of a reduced payment not yet determinable. Pending assessment of the individual position, SNAI provided and/or will provide as follows:

- to make a reduced payment for 58 disputes amounting to approximately Euro 35,300.00;
- to submit defensive briefs for 92 disputes, of which 22 have been set aside;
- for the remaining 70 (with a total value of around Euro 105,000.00) we are awaiting a reply by ADM.

Subsequently, on December 31, 2015:

- 4 objections were sent, in respect of which SNAI provided for or will provide for the filing of documents within due terms;
- 2 orders for the setting aside were sent to the Company after presentation of documents and meeting with ADM.

The risk of an unfavourable outcome can be deemed as possible when we are awaiting a reply by ADM to the documents deposited by SNAI, or remote when ADM issued a decision for cancellation as a form of self-remedy.

Quotes of October 2, 2012

Due to a malfunctioning on October 2, 2012 certain sporting events were offered and quoted, - for a few minutes only - with evidently incorrect quotes; this refers to Under/Over 5.5 and Under/Over, second half 0.5 bets.
Some players noticed the anomaly, took advantage and placed a series of straight and system bets, both on physical network and online through the website www.SNAI.it.
SNAI promptly informed ADM on the situation prior to those bets.
Certain gamblers have filed legal actions to obtain payment of their winnings.

SNAI settled various disputes out of Court and is planning to settle the remaining proceedings in the same way. These costs were covered by using a provision for risks previously set aside.
After 30 June 2015, the Court of Rimini, with order pursuant to Art. 702 bis of the Italian Code of Civil Proceedings, agreed with SNAI's defence and rejected the claims of a player. The order was appealed and the first hearing was held on 15 December 2015. SNAI appeared in Court in due terms, contesting the plaintiff's claims. The case was postponed on 19 May 2020 for discussion.

At present, the risk of an unfavourable outcome is remote given the complexity of the grounds of the decision.

COGEMAT GROUP

Proceedings on reporting procedures

Following the request of AAMS, the Court of Auditors, assuming that the concession holders of the remote network are to be considered as "accounting agents" (i.e. persons who, through contracts or by reason of their service tasks for the entity, are in charge of the accounts as envisaged and governed by the accounting standards of the entity), requested a proceeding on reporting procedures for the Company for the entire validity of the Concession convention.

The regional public prosecutor at the Court of Auditors notified Cogetech S.p.A. of a claim under article 46 of Royal Decree no. 121/1934, and an application under article 41 of the Royal Decree 1038/1933, highlighting the nature of the role of "accounting agent" played by the Company and the fact that the latter was bound to present a "court account". The notice also requests, in respect of failure to present the court account within the legal terms, payment of the relevant penalty, as set forth in Article 46 of the Royal Decree no. 1214/1934 with reference to years 2004/2005, equal to Euro 94,021,059.16, and with reference to year 2006, equal to Euro 89,620,715.23. With reference to years from 2007 to the expiration date of the concession, as per Article 278 of the Italian Code of Civil Procedure, the Company was requested to pay a general fine to the extent that it will be paid by the agent for the formation of the official account.
Following the hearings held and the documents filed, the Court rejected the request of the public prosecutor and did not condemn the Company (decision no. 11891/2012). The Public Prosecutor filed an appeal. Cogetech file a cross appeal against the decision in the part concerning the nature of accounting agent for concession holders. After hearing for discussion, held on July 3, 2014 with decision no. 948/2014, the Appeals Section of the Court of Auditors ordered Cogetech S.p.A. to pay the amount of Euro 4,000.00 (four thousand euro), plus interest and legal fees. On July 2, 2015, the Administration notified the decision no. 373/2015 containing the order to pay Euro 4,854.02 within 30 days. The Company promptly provided for the payment and therefore the proceeding can be deemed as settled. The above updating is hereby give supplied for clarification purposes, also in view of the connection between the above-mentioned decision and the decision on accounts described hereunder.

Decision on accounts

The object of the decision is the audit on the accounts submitted by concession holders of legal gaming through AWPs and VLTs.
These proceedings, still pending before the Court of Auditors, Lazio Section, 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 director, named by the Board of Statutory Auditors, and consists of an audit, both formal and on accounts, of items reported in the statements transmitted to the Administration). The first instance of judgement has been concluded with a decision stating the impossibility of taking further proceedings and the transmission of the judicial deeds to the Regional Prosecutor for the assessment of possible administrative responsibilities. Cogetech filed appeal against this decision. With decision no. 373/2015 of June 8, 2015, the Appeal cancelled the objected sentence deeming that the case could not be concluded with a sentence indicating the impossibility of taking further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the second decision ordered that the Lazio Regional Section reviewed 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 Appeals Section of the Court, all documents related to judicial reporting, already returned to ADM, were retransmitted to the Lazio Regional Section.
After appeal the case continues 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 for an unfavourable outcome of the case is believed to be very remote by the legal advisers of Cogetech.

Objection against the failure to comply with the service levels as per the Concession Convention (IV penal)

By order of January 27, 2012 (notified on February 3, 2012), ADM claimed that Cogetech S.p.A. was in breach of the service levels as per attachment 3 of the Concession Convention for the activation and operation of gaming machines with the issue of a penalty amounting to Euro 7,585 thousand to be paid within 60 days from the related notice.
Cogetech S.p.A. filed a legal action against the payment order and with decision no. 02693/2012 of May 10, 2012 the Lazio Regional Administrative Court suspended the notice and set the discussion of the case in a public hearing on February 20, 2013. Decision on the order no. 6026/2013. On January 30, 2014 ADM filed an appeal notice against the decision no. 6026 of the Regional Administrative Court. Following the incorporation of the company and the discussion on the merits at the hearing held on May 26, 2015 with decision no. 5504/2015 the Council of State upheld the interim appeal filed by Cogetech, while deciding the cancellation of the deed of fourth penalty that had been challenged in first instance. By virtue of the aforesaid, there is no risk for the Company.

Objection deed against penalties set out due to the failure to comply with the service levels concerning the management of gaming machines VLT (Lazio Regional Administrative Court)

On December 2, 2013 ADM claimed that Cogetech S.p.A. failed to comply with the service levels as per letters e) and f) of Attachment 3-ter regarding the management of VLT gaming machines for a total penalty of Euro 195 thousand. The request for access to the records was filed on December 9, 2013. Notice from ADM, official reg. no. 2791/2013 dated December 20, 2013 filed the suspension of the terms for the appeals. We are awaiting that Sogei takes from ADM database the data requested by the concession holder. Through notice on May 5, 2014 ADM adjusted the amount related to the objection and reduced it to Euro 45 thousand. The request for adjustment, based on the request to access to the records, was prepared and deposited. Following the notice of ADM dated December 17, 2014 informing on the availability of data required, the records were examined on December 18, 2014. Following the analysis of the data taken from the records, counter-claims were prepared and sent on 16 January 2015. On August 7, 2015 ADM requested to Cogetech a penalty for failure to comply with the service levels concerning the management of VLT gaming machines (for the period between January and August 2012), for an amount of Euro 44,759.00. The company prepared and filed a legal action against the above-mentioned order. A new hearing has to be set.

ADM notices dated February 11, 2014 concerning the Bersani Concession Conventions no. 4304 and 4011 (Lazio Regional Administrative Court).

With 8 notices dated February 11, 2014 ADM required Cogetech S.p.A. to pay the total amount, including interests and penalties, of Euro 90,272.17 for a delay in delivery of weekly settlements concerning the Bersani concessions. A legal action was filed.
On May 9, 2014 through five notices ADM required Cogetech to pay penalties for the delay in delivery of the weekly settlements in the months of April, July and September 2010, for a total amount of Euro 13,413.17. A legal action was filed.
On June 26, 2014 through four notices ADM required Cogetech to pay penalties for delay in delivery of weekly settlements in the months of March 2009, May, August and October 2010 and January 2011, for an amount of around 25,000.00, plus interest. A legal action was prepared, and a new hearing has to be set.
On September 25, 2014 further eight notices were sent, for an amount of around Euro 23,000.00, for the delay in the weekly settlements of the Bersani concessions for the year 2011 (October, April, May and September). The company prepared and filed a legal action against these orders. A new hearing has to be set.

2011 quotes - 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 formally managed, the amount of Euro 300 for the machines that, at completion of the survey (related to the 2011 January-August period), were in excess in respect to the law on applicable quotas. The total amount for Cogetech amounted to Euro 2 million.

After the access to records and correspondence with the Administration, the latter filed again the requests with notice dated August 5, 2013. Said request was contested before the Lazio Regional Administrative Court and we are awaiting the dates for the hearing.

We wish to highlight that a further investigation for breach of the law on quotas was carried out by ADM after August 2011. With ADM notice of July 11, 2014, the Lombardy Local Directory requested payment of Euro 273,000.00 in respect of unpaid amounts as provided for in Article 1, par. 81, lett. d) of Law 220/2010, always in relation to the period January-August 2011. By reason of the above, Cogetech prepared and filed a counter-appeal.
The risk of an unfavourable outcome can be deemed as simply possible, taking account of the investigation performed by ADM and the recent nature of the matter.

Order from ADM, official reg. no. 2011/2876/Strategie/UD (Lazio Regional Administrative Court)

The objection against the order in question, dated October 12, 2011 saw the modification of the PREU tax by 6%, as from January 1, 2012, on the portion of winnings exceeding Euro 500. The Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 10, par. 9 of Decree Law 16/2012. The hearing was fixed before the Constitutional Court on June 10, 2014. Notice by ADM dated 12 May 2014 on the starting of taxation as from June 3, 2014. On June 9, 2014, notice was sent related to the ADM decree on the starting of taxation as from the fifteenth day after the lodging of the sentence of the Constitutional Court on resolution of the dispute (hearings on discussion of 13 June). Following the sentence of the Constitutional Court on the breach of the Italian Constitution, a hearing on the merits is still to be fixed (as provided for in the first hearing after the sentence of the Court) by virtue of the appeal filed against the so-called Ferrara decree on further suspensions proposed on that occasion.

Stability Law, Article 1, par. 649 Law 190/2014 and ADM Decree of January 15, 2015

In execution of Article 1, par. 649 of the 2015 Stability Law, and pursuant to the implementing ADM Decree, the amount of the Stability Tax due by Cogetech for 2015 was determined in the amount of Euro 47,040,018.54, to be paid in two instalments in the months of April 2015 (40% of the total amount) and October 2015 (for the remaining 60%).
On February 9, 2015 Cogetech contested the 2015 Stability Law and the implementing ADM Decree before the Lazio Regional Administrative Court, with concurrent request of suspension of the decision and submission of the issue to the Constitutional Court. A first order interim order was issued by the Lazio Regional Administrative Court, which, although not entering into the merits of the arguments, deemed non existent the periculum in mora and denied the of the interim measure requested (order no. 1475 of April 2, 2015 rejecting the request of the suspension of the payment of the first instalment). The Regional Administrative Court issued an additional order aimed at verifying the impact of this payment on the financial statements of the concession holders (Order no. 9777 of July 20, 2015).

The Regional Administrative Court then rejected the request of suspension related to the payment of the second instalment, still without entering into the merits of the arguments, but limiting its attention on the fact that the periculum in mora was deemed non existent, in relation to the fact that the regulation envisaged that the payment had to be apportioned to the entire segment (Order of TAR no. 4526 of October 22, 2015).

Finally, the Regional Administrative Court has examined the grounds of the arguments, and submitted the various issues on the alleged breach of the Constitution of Art. 1, par. 649 of the 2015 Stability Law to the Constitutional Court.

With appeal filed before the Council of State, Cogetech sought the reform of the interim order no. 01475, issued by the Regional Administrative Court, after granting of presidential interim measures as per Art. 56 of the "Administrative process code", concerning the suspension of the payment, upon maturity term of 31 October 2015, (at least) for the portion referred to the amount that SNAI did not receive from third-party operators in the wagers segment. With order of October 30, 2015, the Chairman of the IV Section of the Council of State rejected the interim application. The hearing of the Court, originally scheduled on November 24, 2015 was postponed to December 1, 2015.

With order no. 5377 of December 2, 2015 the Council of State rejected the interim appeal.

With order no. 14139, published on December 16, 2015 the Second Section of the Lazio Regional Administrative Court submitted to the Constitutional Court the issue of breach of the Italian Constitution by Art. 1, par. 649 of Law no. 190/2014., with respect to Articles 3 and 41, par. 1 of the Constitution, while accepting the defensive arguments raised by Cogetech (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).

The interim judgement before the Constitutional Court will be formally made after the transfer of the proceedings to the Council by the Lazio Regional Administrative Court, with following publication of the order on developments in the Official Journal, Special Section of the Constitutional Court.

Meanwhile, the judgement before the Lazio Regional Administrative Court will be suspended.

Cogetech on its part: (a) determined the amount of Euro 1,207.27 per each machine operated by the segment, (b) defined and communicated the amount charged to each single operator within its segment, proportionally to the distribution of remuneration. Some operators objected to the payment and filed a lawsuit; (c) objected before the Court the legitimacy of the 2015 Stability Law and subsequent deeds; (d) on April 30, 2015, while settling the dispute, the company paid to ADM the agreed amount of Euro 12,228,477.00, and authorised the latter to temporarily withhold, as a down payment on the second instalment to be paid on October 31, 2015 the residual portion of the first instalment (Euro 6,587,530.42) from the amounts due to the company in relation to the refund of the guarantee deposit, equal to 0.5% of wagers for 2014; (e) on November 2, 2015 paid to ADM the amount of Euro 5,123,891.37, equal to the sum of the amounts pertaining to the concession holder itself and of the amounts paid by the third-party operators in the segment in relation to wagers, net of the above-mentioned prepayment of Euro 6,587,530; (f) for the period from November 2, 2015 to December 31, 2015 paid the amounts that were collected with delay from the segment and equal to Euro 3,174,627.

With the timing agreed upon with ADM, the Company communicated the operators which failed to pay the amounts due. At the reporting date, 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.

Civil proceeding

Through a writ of summons notified on December 17, 2015 pursuant to Law no. 53 of 1994, Acilia Games S.r.l. (together with other 436 operators of the segment of legal gaming) sued Cogetech (together with other concession holders of legal gaming, including SNAI) requesting the following conclusions:

(a) assess 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) assess 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 10,000 for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.
(c) assess that the renegotiation proposals from concession holders are unilateral and are against the general duty of good faith;
(d) 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) assess 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, concession holders should be ordered to pay the amount of Euro 10,000.00 for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

Cogetech will appear in Court in due form for the first hearing scheduled on May 9, 2016.
In the opinion of the legal advisers, given the fact that the plaintiff's claims are groundless, the risk of an unfavourable outcome is remote.

Guaranteed minimum amounts for horse races - Cogetech S.p.A. (Lazio Regional Administrative Court)

The order of December 23, 2011, off. reg. no. 2011/51060/Giochi/SCO on the horse race concession no. 265, signed by the Customs and Monopoly Agency, was contested. The order included the following issues: "Supplements to the suspended guaranteed minimum amounts" and all other related and/or consequent deeds, for a total of Euro 53 thousand, as a supplement of the annual guaranteed minimum amounts for horse races, related to years 2006/2010. With interim order no. 524 of February 8, 2012, the Lazio Regional Administrative Court suspended the order of

December 23, 2011 fixing the hearing for discussion on December 5, 2012.
The following order of ADM of June 15, 2012 off. reg. 2012/27169/Giochi/SCO, was contested with request of cancellation and payment of damages. In this order, the Administration, substantially replacing the previous request of November 23, 2011 ordered to provide for the payment within 30 June 2012, of the supplement to the annual guaranteed minimum amounts for the years 2008-2011, reduced by 5% pursuant to Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012, for a total amount of Euro 16 thousand.
At the hearing of December 5, 2012 the judgement on the case was reserved. With order no. 1058/2013 of January 30, 2013 the Lazio Regional Administrative Court, second section, upheld the company's arguments concerning alleged breach of the Italian Constitution. The proceeding was therefore suspended and the papers were submitted to the Constitutional Court. The order of submission of deeds to the Constitutional Court was published on the Official Journal on May 15, 2013. Cogetech filed its appeal within the legal terms (within 20 days from the publication of the order). The hearing for discussion before the Constitutional Court was held on 8 October 2013. With decision no. 275 of 18 November 2013, the Constitutional Court found breach of the Constitution of Article 10, par. 5, letter b), of the Law Decree dated March 2, 2012 no. 16, converted, with amendments, by Law no. 44 of April 26, 2012 in respect of the wording "*not higher than 5 per cent*". At the hearing of June 4, 2014 the judgement on the case was reserved. With ruling no. 7324/2014, lodged on July 10, 2015 the Lazio Regional Administrative Court cancelled all payment requests of the horse race guaranteed minimum amounts for the 2006/2011 years.

Deed of summons for Lottomatica Scommesse S.r.l., Boss Media AB, GTECH S.p.A. and the contract expert (Court of Rome)

The case is pending before the Court of Rome and has as object a contract concerning the circuit platform, called "Pokerclub", from which the players of Cogetech were excluded. The legal action, undertaken by Cogetech in May 2013, is aimed at obtaining the recognition (i) of the termination of the contract; (ii) of the liability of Boss Media AB (supplier of the software) and related termination of the contract; (iii) of the breach by Lottomatica Scommesse e/o Boss Media AB e/o Gtech S.p.A., and therefore (iv) is aimed at ordering the companies sued to pay damages in favour of Cogetech (preliminarily determined in approximately Euro 10 million).
The defendants appeared before the Court in due terms and contested the claims raised by Cogetech.
Lottomatica Scommesse has submitted a cross-claim requesting termination of the contract (occurred on March 28, 2013) through for fault of Cogetech, as well as the request on the latter to pay damages for around Euro 3 million, incurred by Lottomatica Scommesse due to alleged breaches to the contract by Cogetech and mainly in respect of illegal recruitment of players on the circuit platform named "Pokerclub" and payments of bonuses in favour of players higher than those permitted by network rules, always in the aim of the aforesaid illegal actions.
Gtech ha also submitted a cross-claim and has requested the Court to order Cogetech to pay damages in three amount of Euro 50,000.00.
Finally, Boss media AB submitted a cross-claim requesting the termination of the software license contract occurred at the same time as the termination of the Cogetech/Lottomatica Scommesse contract.
On May 26, 2016 the hearing was held for clarification of the conclusions and the Judge granted legal terms to the parties.
The risk of an unfavourable outcome can be considered as possible.

Royal Games S.r.l.

In 2011, an injunctive decree (no. 21993/2011) was issued by the Court of Milan in favour of Cogetech for a receivable of Euro 1,392,043.64 concerning the amounts not paid by Royal Games S.r.l. in respect of the collaboration agreement for wagers of gaming machines as per Article 110, par. 6 of the T.U.L.P.S., as at that time in force between the parties and now terminated.

On November 20, 2015 Royal Games S.r.l., opposing debtor, submitted a cross-claim for Euro 3,500,000.00 in the opposition to the injunctive decree obtained by Cogetech, temporarily enforceable. The cross-claim submitted by Royal Games, for a total amount of Euro 3,500,000.00, concerns damages incurred by the same Royal Games for the shut-down of the company allegedly resulting from the termination of the contract by Cogetech.
The next hearing is fixed on September 29th, 2016.
In the opinion of the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

AAMS Notice of October 17, 2013 on the interruption of the expiration of notices no. 95279-95280- 95281-95282 of October 14, 2013

AAMS requested to the company Cogetech Gaming S.r.l. payment of Euro 293,469.45 plus interests, as penalty set forth in the Concession convention no. 4052, by reason of late payment of the amounts due. The contractual penalty is equal to 5% of the amounts due for each day of delay. Defensive papers with request of cancellation were filed. The legal action was deposited, and a new hearing has to be set.
On September 25, 2014, three notices were served by ADMS with a payment request of around Euro 9,000 as penalty for late payment of amounts due in respect of the concession convention, related to July 2011. The related legal actions were prepared and submitted. A new hearing has to be set. On July 13, 2015, ADM Milan requested the company Cogetech Gaming Srl to pay the amounts related to the notices already served (including amounts notified to the company Cogetech S.p.A.) within 30 days from the notice, threatening collection of the guarantee released in respect thereof. The company filed a self-defensive claim for the cancellation/revocation of the proceeding and deposited before the TAR, a legal action against the above notice within the applicable legal terms.

In the opinion of the legal advisers, the risk of an unfavourable outcome is simply possible (albeit limited in the amount).

Objection before the Lazio Regional Administrative Court on the guaranteed minimum amounts

Cogetech Gaming contested all the notices of ADM, dated November 23, 2011, Off. Reg. no. 2011/51060/Giochi/SCO, concerning: "Supplements to the suspended guaranteed minimum amounts" and all other related and/or consequent deeds, for a total amount of Euro 2,785,654.36 thousand, as a supplement to the annual guaranteed minimum amounts for horse races, related to years 2006/2010. With interim order no. 524 of February 8, 2012, the Lazio Regional Administrative Court suspended the notice of December 23, 2011, fixing the hearing for discussion on December 5, 2012.

Cogetech Gaming S.r.l. also contested, and requested annulment and payment of damages, the AAMS notices dated June 15, 2012, off. reg. 2012/27169/Giochi/SCO. In these requests, the Administration, substantially cancelling the previous request of November 23, 2011 ordered pay within June 30, 2012, the supplement to the annual guaranteed minimum amounts for the years 2008-2011, reduced by 5% pursuant to Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012, for a total amount of Euro 2,688,042.00.

At the hearing of December 5, 2012, the judgement on the case was still reserved. With order no. 1058/2013 of January 30, 2013, the Lazio Regional Administrative Court, second section, upheld the company's arguments concerning alleged breach of the Italian Constitution. The proceeding was therefore suspended and the deeds were submitted to the Constitutional Court. With ruling no. 275 of November 18, 2013 the Constitutional Court assessed the breach of the Constitution of Art. 10, par. 5, letter b), of the Law Decree dated March 2, 2012 no. 16. At the hearing of June 4, 2014 the judgement on the case was reserved. With ruling no. 7324/2014, deposited on July 10, 2015 the Lazio Regional Administrative Court annulled all payment requests of the horse race guaranteed minimum amounts for the 2006/2011 years. Meanwhile, the requests of the guaranteed minimum amounts for the year 2012, notified on June 14, 2013 (Euro 300,000.00), were contested before the Court. To date, the hearing on discussion has not yet been fixed.

After this notice, Article 10, par. 5 of the Leg. Decree no. 16/2012 was declared partly not compliant with the Constitution and therefore no collection order was executed or new payment request was made to date by the Entity.

Prestige Potenza S.r.l.s.

Following the disposal by Cogetech Gaming S.r.l., of the Business Unit related to the agency in Turin, Corso Potenza, the assignee company was found in breach of its contractual obligations as the activities required to manage and run the transferred business were not carried out. Cogetech Gaming, differently from the allegations of the other party, promptly made available to the assignee all administrative documents that would permit to run the business. The legal requests concern termination of the sale contract
The case has been started by Prestige Potenza S.r.l.s., requesting the Court to assess and declare:

- *(a)* infringement of Cogetech Gaming S.r.l. of the transfer of the business unit related to the agency in Turin, corso Potenza;
- *(b)* termination of the contract for fault of Cogetech Gaming S.r.l. and payment of damages
- *(c)* order to pay damages for over Euro 18,000,000.00.

The first hearing was fixed on October 14, 2014. Cogetech Gaming appeared before the Court, submitted a cross-claim and sued a third party. The hearing was postponed until March 10, 2015 to permit the intervention of the third party. At that hearing, the Judge granted legal time limits for the filing of defensive papers until June 16, 2015. After that hearing the Judge rejected the cross-claims and set the hearing of May 18, 2016 for clarification of the pleadings (hearing then postponed by the Court to September 28, 2016).
In the opinion of the legal advisers, the risk of an unfavourable outcome can be considered as simply possible.

Prestige Barbera S.r.l.s.

Following the disposal by Cogetech Gaming S.r.l., of the Business Unit related to the agency in Turin, via Barbera, the assignee company did not fulfil its obligation as per the contract as it did not perform all measures required to manage and run the transferred business. Contrary to what *ex adverso* claimed, Cogetech Gaming promptly made available to the assignee all administrative documents that would permit to run the business. It therefore asked to terminate the sales contract in order to avert the incurrence of further costs.
The case was started by Prestige Barbera S.r.l.s., asking the Court to assess and declare:
(a) the infringement of Cogetech Gaming S.r.l. upon the transfer of the business unit related to the agency in Turin, via Barbera;
(b) the termination of the contract through and by the fault of Cogetech Gaming S.r.l. and payment of damages for unfulfillment of the sales agreement;
(c) the order to pay damages of around Euro 12,600,000.00.
The first hearing was fixed on November 18, 2014. Cogetech Gaming duly appeared before the Court, submitted a cross-claim and the authorization for the intervention of a third party. At the first hearing, the Judge upheld the request to summon third parties and granted legal time limits for the sending of notices. The hearing was postponed to July 7, 2015. At this hearing, the Judge postponed the case until September 23, 2015. Upon conclusion of this hearing, the Judge postponed the case to the hearing of January 20, 2016 for admission of pre-trial motions. While lifting his reserve, the Judge postponed the case to the hearing of February 28, 2017 for clarification of the pleadings.
In the opinion of the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

30. Other current and non-current liabilities

Other accounts payable and other non-current liabilities are broken down as follows:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Other non-current liabilities			
Tax liabilities			
- instalments related to PVC	-	64	(64)
- instalments related to single tax	317	437	(120)
- Tax Authorities - 770 notice	512	-	512
	829	**501**	**328**
Payables to social security institutions			
- payables to social security institutions - instalments	455	-	455
	455	**-**	**455**
Other liabilities			
- for instalments related to PREU for previous years	1,114	1,824	(710)
- for guarantee deposit liabilities	3,820	11	3,809
- to others	46	-	46
	4,980	**1,835**	**3,145**
Total other non-current liabilities	**6,264**	**2,336**	**3,928**

Other current liabilities are composed as follows:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Other current liabilities			
Tax liabilites			
- income taxes	3,058	2,745	313
- VAT	1,574	797	777
- single tax	5,092	4,964	128
- instalments related to single tax	140	181	(41)
- instalments on assessment notice	67	405	(338)
- Tax Authorities - 770 notice	149	-	149
- other tax debts	2,044	887	1,157
	12,124	**9,979**	**2,145**
Due to social security entities institutions			
- Social Security institutions	3,343	2,711	632
- Social Security institutions - instalments	93	-	93
	3,436	**2,711**	**725**
Other payables			
- due to ADM for PREU balances due	46,362	17,012	29,350
- due to ADM for gaming machines security deposits	6,882	2,638	4,244
- due to preu for previous years	782	846	(64)
- remaining liabilities from segment to ADM for stability law	31,150	-	31,150
- to winners and VLT jackpot reserve	13,717	10,063	3,654
- VLT required tickets	41	57	(16)
- to ADM as concession fees	3,974	1,582	2,392
- due to players for betting acceptance (ante post)	1,404	1,567	(163)
- due to players for winning and refunds on Bets/national horse race game/sports and horse pool betting	1,844	1,678	166
- due to ADM for outstanding PREU	904	1,115	(211)
- due to ADM for unpaid tickets	538	231	307
- due to ADM for Sports Forecast and National Horse Racing Betting Concession	1,339	1,724	(385)
- due to SNAI Card gaming cards	7,007	6,147	860
- due to On-line Gaming players (Skill/Casino/Bingo)	147	132	15
- due to players for wins in virtual events	439	225	214
- due to ADM	21,681	21,573	108
- due to employees and collaborators	5,105	4,256	849

- due to directors	376	418	(42)
- due to auditors	208	167	41
- for security deposits	10,504	2,896	7,608
- for SIS S.r.l. in liquidation	6,457	-	6,457
- for Teseo S.r.l. in liquidation	383	483	(100)
- due to others	4,886	2,501	2,385
	166,130	**77,311**	**88,819**
Accrued liabilities and deferred income			
- accrued liabilities	1,202	265	937
- deferred income	794	851	(57)
	1,996	**1,116**	**880**
Total other current liabilities	**183,686**	**91,117**	**92,569**

The instalments payable within 12 months on the tax assessment notice for a total of Euro 67 thousand concerned the settlement of the assessments and resulting acceptance of the tax assessment notices delivered in July 2013. The amount includes the tax, penalties e interest as defined in the final tax assessment notice, with acceptance granted on July 26, 2013 (for the year 2011), in which it was also agreed to extend payment through 12 quarterly instalments.
Payables related to the flat-rate tax payable in instalments, amounting to Euro 457 thousand, of which Euro 317 thousand being due after one year and Euro 140 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

Payables were related to 770 notices totalling Euro 661 thousand, including Euro 512 thousand being due after one year and Euro 149 thousand being due within one year, were related to tax assessments performed by Tax Authorities on tax returns filed by using the 770 form for the tax periods 2011, 2012 and 2013. The above assessment highlighted the non-payment of withholdings and additional taxes. The amount due was divided in instalments, each related to one year of non-payment. These instalments are regularly being paid.

The payables to social security institutions, related to instalments amounting to Euro 548 thousand, of which Euro 455 thousand being due after one year and Euro 93 thousand being due within one year, comprise payment orders issued by Equitalia and payable in instalments.

The PREU payables related to instalments for previous years, amounting to Euro 1,896 thousand, of which Euro 1,114 thousand being due after one year and Euro 782 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2009 and 2010 PREU tax.

Payables of SNAI Group and the segment to ADM for the Stability Law, amounting to Euro 31,150 thousand (of which Euro 11,223 thousand referred to SNAI S.p.A. and Euro 19,927 thousand to Cogetech S.p.A.), is related to provisions envisaged by the Stability Law, approved by the Parliament at the end of December 2014, which, amongst other, outlined that the total amount of Euro 500 million be charged to the distribution segment of gaming machines (both AWP and VLT). This amount was apportioned according to the number of machines referable to each single concession holder, as quantified by the Directorial Decree no. 4076/2015 issued by ADM on 15 January 15, 2015. According to the aforesaid decree, the amount related to the distribution segment for gaming machines referable to the companies of the SNAI Group is equal to Euro 84,832 million (of which Euro 37,792 thousand related to SNAI S.p.A. and Euro 47,040 thousand related to Cogetech S.p.A.), 40% of the annual amount to be paid within April 30, 2015, and the remaining 60% within October 31, 2015 (see Notes 10, 20 and 21). On the occasion of the maturity term of the first down payment expected on April 30, 2015, the amount theoretically due by the companies of the SNAI Group to ADM amounted to Euro 33,933 thousand (40% of the aforementioned Euro 84,832 thousand). On April 30, and November 2, the SNAI Group provided for the payment of a total amount of around Euro 50.4 million in favour of ADM (of which Euro 26.5 million by SNAI S.p.A. and Euro 23.9 million paid by Cogetech S.p.A.), according to the interpretation inferable from the Order and discussions undertaken with competent Authorities. During November and December 2015, the SNAI Group, through the company Cogetech S.p.A., paid further Euro 3.2 thousand which had been meanwhile collected by operators in the segment. This amount, entirely paid, was made up of both the reduced portion of premiums and remunerations directly attributable to the companies of the SNAI Group and the reduced portion of premiums and remunerations actually paid to the operators of the distribution segment of gaming machines (AWPs and VLTs). As of December 31, 2015, the Company has still payables to ADM, for around Euro 29.4 thousand, and receivables from the network of equal amount, related to the amounts that were not repaid by operators within the segment. In light of opinions collected, the Group believes that it is not co-responsible as regards the above amounts. The Company duly informed ADM on the operator, within the segment, who did not pay, and on the related amounts that are still pending.

The item other payables to ADM, totalling Euro 21,681 thousand, relates to draw downs which were offset by receivables (acquired or original) 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. When ADM requires the payment, SNAI will have the faculty to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 22.

Payables to ADM for outstanding PREU, in the amount of Euro 46,362 thousand, are calculated from the gaming machine (ADI) transactions.

Payables to SIS, amounting to Euro 6,457 thousand, are related to the rental, with following purchase, of the business unit of the company SIS and are disclosed net of some receivables.

The Deferred income item, amounting to Euro 794 thousand, is related, in the amount of Euro 761 thousand, to the portion of the grants to the MIPAAF (former ASSI) investment fund recognised as grants related to investments.

31. Trade payables

The trade payables are composed as follows:

thousands of Euro	As of December 31, 2015	As of December 31, 2014	Change
Trade payables			
- due to suppliers	42,360	29,515	12,845
- due to stables, jockeys and bookies	150	153	(3)
- due to foreign suppliers	1,784	3,798	(2,014)
- due to advances paid to suppliers	(1,518)	(969)	(549)
- credit notes to be received	(411)	(298)	(113)
- due to affiliate Connext S.r.l.	-	186	(186)
Total trade payables	**42,365**	**32,385**	**9,980**

32. Overdue payables

As required by CONSOB's 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.

(amounts in thousands of Euros)

Current liabilities	As of December 31, 2015	of which due on December 31, 2015
Financial payables	3,564	-
Trade payables	42,365	9,119
Tax payables	12,124	-
Payables to social security institutions	3,436	-
Other payables	166,130	-
	227,619	**9,119**

The amounts due as of December 31, 2015, i.e. Euro 9,119 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after December 31, 2015. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

33. Guarantees

In addition to the liabilities shown in the financial statements (note 27), the Group has also contracted financial commitments related to the granting of guarantees for a total amount of Euro 188,845 thousand as of December 31, 2015 (Euro 128,064 thousand in 2014) relating to:

Bank	Beneficiary	Company	Subject matter of the guarantee	Amount of bank guarantee as of December 31, 2015 (thousands of euro)	Amount of bank guarantee as of December 31, 2014 (thousands of euro)
UNICREDIT	ADM	SNAI	To guarantee the opening of shops and sports betting points and activation of on-line sports gaming for the 2006 tender concessions (so-called Bersani Sport). On April 5, 2011, the object (not the amount) of the guarantee was supplemented, and the max. guarantee	36,182	35,364

			was set to € 200,000 under Article 15 of the supplementary concession until March 31, 2012.		
UNICREDIT	ADM	Cogetech	Due to prompt and exact payment of PREU, guarantee deposit and Fee related to NSL - VLT license.	34,668	-
UNICREDIT	ADM	SNAI	Due to prompt and exact payment of PREU, guarantee deposit and Fee related to NSL - VLT license.	23,042	22,914
UNICREDIT	ADM	SNAI	As a guarantee securing the opening of horse racing gaming stores and points and the activation of on-line horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedure (so-called Bersani Ippica)	16,835	17,176
UNICREDIT	ADM	SNAI	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players (so-called Concessione Monti).	15,120	11,579
UNICREDIT	ADM	SNAI	Guarantee securing the concession for the acceptance of horse race bets (so-called Concessione Giorgietti).	11,463	12,359
UNICREDIT	ADM	SNAI	For proper performance, payment of amounts and issuance of authorizations for the instalment of VLT and AWP devices.	6,000	6,000
UNICREDIT	ADM	Cogetech	For proper performance, payment of amounts and issuance of authorizations for the instalment of VLT and AWP devices.	6,000	-
UNICREDIT	ASSI (AGENZIA PER LO SVILUPPO DEL SETTORE IPPICO)	SNAI	For the supply of broadcasting, elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5,387	5,387
AM TRUST EUROPE	ADM	Cogetech Gaming	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players (so-called Concessione Monti).	4,701	-
BNL	ADM	SNAI	Guarantee securing the concession for the acceptance of horse race bets (so-called Concessione Giorgietti).	4,262	4,262
UNICREDIT	ADM	Cogetech Gaming	To guarantee the opening of shops and sports betting points and activation of on-line sports gaming for the 2006 tender concessions (so-called Bersani Sport).	4,184	-

BANCA DI CREDITO COOPERATIVO DI CAMBIANO (FORMER BINTER)	ADM	SNAI	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players (so-called Concessione Monti).	3,029	2,380
CREDART	ADM	SNAI	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players (so-called Concessione Monti).	1,960	1,960
BANCA POPOLARE DI MILANO	ADM	Cogetech Gaming	Guarantee securing the concession for the acceptance of horse race bets (so-called Concessione Giorgietti).	1,738	-
UNICREDIT	ADM	SNAI	On-line concession	1,725	1,840
UNICREDIT	ADM	Cogetech Gaming	As a guarantee securing the opening of horse racing gaming stores and points and the activation of on-line horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedure (so-called Bersani Ippica).	1,646	-
BANCO POPOLARE	ADM	Cogetech	To guarantee the opening of shops and sports betting points and activation of on-line sports gaming for the 2006 tender concessions (so-called Bersani Sport).	1,447	-
CASSA DI RISPARMIO DI SAVONA	HIPPOGROUP ROMA CAPANNELLE	SNAI	Pro-quota, several/non-joint bank guarantee in the interest of Hippogroup Roma Capannelle for the opening of a bank credit line EEPP	1,389	1,389
UNICREDIT	MEDIOCREDITO ITALIANO Spa	SNAI	Tim's phone top-ups	1,000	4,000
UBI - COMMERCIO E INDUSTRIA	SPIELO	Cogetech	Bonds - VLT contract - Spielo	1,000	-
UBI - COMMERCIO E INDUSTRIA	GOITO SRL	Cogetech	Rental of offices	698	-
BANCA POPOLARE DI MILANO	ADM	Cogetech	Due to prompt and exact payment of PREU, guarantee deposit and Fee related to NSL - VLT license.	525	-
UNICREDIT	INLAND REVENUE OFFICE	SNAI	For VAT reimbursement of 2014	512	-
COFITALIA CONFIDI s.c.p.a.	TAX AUTHORITIES - MANTUA	Finscom	To guarantee the payment in instalments due in relation to irregularities reported 2008	502	-
BPER	TIM/IFITALIA	Cogetech	Tim's phone top-ups	500	-
BANCA POPOLARE DI MILANO	TIM/IFITALIA	Cogetech	Tim's phone top-ups	400	-

BANCA DI CREDITO COOPERATIVO DI CAMBIANO	VODAFONE OMNITEL B.V.	SNAI	Vodafone's phone top-ups	350	750
BANCO POPOLARE	ADM	Cogetech	On-line concession	315	-
MISCELLANEOUS (incr. lower than Euro 200 thousands)	OTHER	All Companies	Other	2,265	704
TOTAL				**188,845**	**128,064**

34. Related Parties

Consob Notice 6064293 of July 28, 2006 requires that, in addition to the disclosures required by IAS (International Accounting Standard) 24: "Related Party Disclosures", disclosures are provided on the impact on the earnings, net worth and financial position of the transactions or positions with related parties as classified by IAS 24.

The following table shows these impacts. The impact that transactions have upon the income statement and cash flows of the Company and/or the Group must be analysed bearing in mind that the principal dealings with related parties are identical to equivalent contracts in place with third parties.

Some SNAI Group companies have accounts with Banca MPS, Intesa San Paolo, Poste Italiane, Banca CR Firenze S.p.A., Unicredit S.p.A. and Banco Popolare Società Cooperativa, which may be considered related parties to the SNAI Group.
Such transactions are considered to be in the interest of the Group, are part of the ordinary course of business and are subject to the terms and conditions of the market.

It should be also noted that the year 2015 witnessed the share capital increase of a total amount, including nominal value and share premium, of Euro 140,000,000, with the issue of 71,602,410 ordinary shares of the Company, released through the contribution by king of a shareholding up to 100% the share capital of Cogemat S.p.A.

It is noted that this transaction is a transaction with related parties as (i) SNAI is a subsidiary of Global Games, a company 50% owned by Investindustrial IV L.P. through Global Entertainment S.A. and (ii) OI-Games 2 S.A., partner of Cogemat with a 72.22% shareholding, is an investee at 50% of Investindustrial IV L.P. (through International Entertainment S.A.).
To this purpose, it should be noted that the Board of Directors of SNAI S.p.A., after acknowledging the favourable opinion expressed by the Committee for Transactions with Related Parties, approved the Senior Bond Loan and the signature of the Agreement.

It should be noted that the Senior Secured Notes and the Senior Revolving Facility are also backed by a pledge on SNAI shares, issued by a majority shareholder of the Company. The related security agreement between SNAI S.p.A. and the majority shareholder was submitted to the favourable binding opinion by the SNAI Related Party Committee.
The following table sets forth a summary of dealings between the SNAI Group and related parties:

thousands of Euro	As of December 31, 2015	% Impact	As of December 31, 2014	% Impact
Other current assets:				
- from Alfea S.p.A.	-	0.00%	1	0.00%
	-	**0.00%**	**1**	**0.00%**
Total Assets	**-**	**0.00%**	**1**	**0.00%**
Trade payables:				
- from Companies related to SNAI S.p.A.directors	30	0.07%	15	0.05%
- from Connext S.r.l. in liquidation	-	0.00%	186	0.57%
	30	**0.07%**	**201**	**0.62%**
Other current liabilities:				
- due to directors of Teleippica S.r.l.	-	0.00%	1	0.00%
- due to Teseo S.r.l. in liquidation	383	0.21%	483	0.53%
	383	**0.21%**	**484**	**0.53%**
Total Liabilities	**413**	**0.05%**	**685**	**0.10%**

The following table shows the items vis-à-vis related parties having an impact on the income statement:

thousands of Euro	Year 2015	% Impact	Year 2014	% Impact
Revenues from services and chargebacks:				
- to companies related to directors of SNAI S.p.A.	5	0.00%	1	0.00%
	5	**0.00%**	**1**	**0.00%**
Other revenues				
- from companies related to directors of SNAI S.p.A.	-	0.00%	1	0.05%
- from Global Games S.p.A.	5	0.02%	6	0.31%
- due to directors and companies related to Finscom S.r.l.	1	0.00%	-	0.00%
	6	**0.02%**	**7**	**0.36%**
Total Revenues	**11**	**0.00%**	**8**	**0.00%**
Costs for services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	10	0.00%	3	0.00%
- from companies related to shareholders of SNAI S.p.A.	-	0.00%	1	0.00%
- from companies related to auditors of SNAI S.p.A.	1	0.00%	-	0.00%
- from directors of Teleippica S.r.l.	87	0.02%	88	0.02%
- from directors of Finscom S.r.l.	24	0.01%	-	0.00%
- from directors and companies related to Finscom S.r.l.	95	0.02%	-	0.00%
- from directors of Cogetech Gaming S.r.l.	6	0.00%	-	0.00%
- from Connext S.r.l. in liquidation	-	0.00%	600	0.17%
	223	**0.05%**	**692**	**0.19%**
Costs of seconded personnel and various costs of personnel:				
- from companies related to directors of parent companies of Snai Spa	1	0.00%	-	0.00%
	1	**-**	**-**	**-**
Other operating costs:				
- from companies related to directors of SNAI S.p.A.	12	0.02%	13	0.03%
- from Connext S.r.l. in liquidation	-	0.00%	2	0.00%
	12	**0.02%**	**15**	**0.03%**
Total Costs	**236**	**0.04%**	**707**	**0.16%**

The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.01% in 2015 and 2014, whereas the total income impacts the profit/(loss) for the year in the amount of 0.02% in 2015 (0.03% in 2014).
The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.25% in 2015 (0.74% in 2014), whereas the total income impacts the profit/(loss) for the year in the amount of 0.44% in 2015 (2.65% in 2014).

Remunerations received by managers with strategic responsibilities during the year amounted to Euro 1,335 thousand, including Euro 570 thousand as a variable portion and Euro 765 thousand as base remuneration.

35. Financial risk management

The Group had financial liabilities principally comprising bond loans and financial leases. Such contracts are medium- to long-term.

On December 4, 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics: Euro 320,000 thousand bearing a 7.625% interest and denominated as Senior Secured Notes, with maturity term on June 15, 2018, and Euro 160,000 thousand bearing a 12.00% interest and denominated as Senior Subordinated Notes with maturity term on December 15, 2018.

On November 27, 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. On July 28, 2015, during the refinancing transaction connected with the acquisition of Cogemat, the aforesaid revolving credit line was increased by Euro 25,000 thousand, with UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A as lending banks, respectively with Euro 15,000 thousand and Euro 10,000 thousand, at the same terms and conditions set out in 2013. The line now amounts to Euro 55,000 thousand. The increased amount could be used at the acquisition date of Cogemat Group, occurred on November 19, 2015, and the fulfilment of conditions precedent, occurred on December 19, 2015. The Senior Revolving Facility had not been used as of December 31, 2015.

On July 20, 2015, the Board of Directors of SNAI approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity term on June 15, 2018. Bonds were initially subscribed by J.P. Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed at qualified investors. The Bonds are listed on the Euro MTF market, organised and managed by the Stock Exchange of Luxembourg. As regards the acquisition of Cogemat Group, revenues resulting from the issue of Bonds will be used by the Company for the partial early cash repayment of payables resulting from some loans related to Cogemat and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on July 21, 2015, for a total principal up to Euro 110 million, with maturity term on June 15, 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on annual basis. The Bond issue and regulation took place on July 28, 2015.

High yield bond loans, representing the financial indebtedness of the Group as of December 31, 2015, except the 2013 bond loan of Euro 160,000 thousand, are guaranteed (like the revolving credit line, unused at the reporting date) by a number or collaterals and personal guarantees granted by the SNAI Group companies, including a) pledge on 50%, plus one share of SNAI share capital, consisting in a portion of Global Games, b) pledged on 100% of the shareholding in Teleippica S.r.l., comprising a portion of SNAI, c) pledge on some intellectual rights owned by SNAI, d) pledge on 100% of Cogemat share capital consisting in a portion of SNAI, e) transfer, as guarantee, of receivables owned by SNAI related to the intercompany loan granted by SNAI to Cogetech and lastly, f) personal guarantee of Cogetech and Cogemat. Moreover, the revolving credit line is guaranteed by a mortgage on some real estate properties owned by SNAI.

The Group's policy is to reduce to the extent possible its use of interest-bearing credit to fund its ordinary operations, reduce the collection periods for its trade receivables, to arrange timings and means of deferment in respect of trade creditors, and to plan and diversify the payment terms for its investments.

Financial Derivatives

As of December 31, 2012, the Group had two derivative instruments (interest rate swaps) in place, which were entered into to hedge the interest rate risk connected with the facility provided by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. The Group has elected to account for those derivatives under hedge accounting, as cash flow hedges in accordance with the rules of IAS 39.

The derivatives used by the SNAI Group for hedging purposes were redeemed during refinancing. Upon redemption, derivatives showed a fair value of Euro 6,094 thousand and a cash flow hedge reserve in the same amount.

In accordance with IAS 39, the Group will recognise the utilisation of the cash flow hedge reserve until its natural expiration (December 31, 2015).

The following table shows the movements in the cash flow hedge reserve in the year 2015 (amounts in thousands of Euro):

Cash Flow Hedge reserve - Interest rate risk	
Initial reserve as of January 1, 2015	**(2,124)**
Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness	-
Positive (+) / negative (-) reclassifications to income statement for cash flows which affected the income statement	2,124
Final reserve as of December 31, 2015	**-**

Liquidity Risk

Liquidity risk is defined as the possibility that the Group is unable to settle its payment commitments as a result of an inability to obtain new funds (funding liquidity risk), to sell assets in the market (asset liquidity risk), or is obliged to incur very high costs in order to settle those commitments. The Group's exposure to such risk is linked principally to the commitments under the loan transaction entered into in December 2013 with the issue of bond loans and the entering of a revolving facility unused as of December 31, 2015.

The following table shows an analysis by maturity terms based on contract redemption obligations which are not discounted and relate to bond loans, outstanding lease agreements as of December 31, 2015, and other liabilities. The cash flows are entered in the first timeframe where they may occur.

(amounts in thousands of Euros)

	Total cash flow	< 6 M	6 M < CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y
Senior Secured Notes	381,008	12,202	12,202	24,403	332,201
Senior Subordinated Notes	348,569	13,794	13,794	27,588	293,393
Leasing	1,312	452	820	39	1
Other liabilities	189,400	155,994	26,975	2,054	3,464

Interest Rate Risk

The Group is exposed to interest rate risk in connection with the financial assets/liabilities related to its core operations; defined as the possibility that a loss may occur in its financial management, in terms of a lower return from an asset or an increased cost of an (existing or potential) liability, as a result of fluctuations in interest rates. The interest rate risk therefore represents the uncertainty associated with the trend of interest rates.

As of December 31, 2015, the Group was not subject to interest rate risk as bond loans are at a fixed rate. The aim of the interest rate risk management is to protect the Group's financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

Floating rate instruments expose the Group to changes in cash flows, while fixed rate instruments expose the Group to changes in fair value.

Credit risk

In order to reduce and monitor credit risk, the SNAI Group has adopted organisational policies and instruments precisely for that purpose.

Potential relationships with debtors are always subjected to reliability analysis prior to the event, through the use of information from leading credit rating companies. The analyses obtained are appropriately supplemented with such information as is available within the Group, resulting in a reliability assessment. This assessment is subject to review on a regular basis or, where appropriate, wherever new information emerges.

The Group's debtors (customers, shop and betting shop managers, AWP and VLT operators, and so forth) are often known to the Group, as a result of its presence over many years in all of the market segments in which it appears, which features 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. Established relationships are monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.

The receivables are regularly subjected to in-depth assessments. In particular, receivables are shown net of the relevant provisions for doubtful receivables. Accruals to the provision for doubtful receivables are recorded where there is objective evidence of difficulty in the Company's recovery of the receivable. Receivables which are 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 security that may be held or other instruments that may mitigate credit risk, is represented by their fair value.

The risk regarding the Group's other financial assets 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 levels of capital and debt ratios in order to support its operations and its future investment plans, while continuing to fulfil its contractual obligations with lenders.

The Group is subject to contractual restrictions in its loan agreements as regards distribution of dividends to its shareholders and issue of new shares.

The Group has analysed its capital in terms of net debt ratio, i.e. the ratio of net debt to shareholders' equity plus net debt. It is the Group's policy to seek to maintain a ratio of between 0.3 and 1.0.

thousands of Euro	**As of December 31, 2015**	**As of December 31, 2014**
Interest-bearing loans	576,633	487,660
Non-interest-bearing loans	32	32
Financial liabilities	576,665	487,692
Trade payables and other liabilities	232,315	125,838

Current Financial Assets	(121,592)	(20,907)
Cash and cash equivalents	(107,588)	(68,629)
Net indebtedness	**579,800**	**523,994**
Shareholders' Equity	135,625	48,101
Total Shareholders' Equity	**135,625**	**48,101**
Shareholders' equity and net indebtedness	**715,425**	**572,095**
Ratio Net indebtedness/(shareholders' equity and net indebtedness)	81.0%	91.6%

36. Significant non-recurring events and transactions

During the fiscal year 2015, non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of July 27, 2006, as being those "components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business)", amounted to Euro 23,767 thousand and were mainly related to the following items:

- Euro 27,457 thousand, connected to the net income attributable to the transaction concluded on February 19, 2015 between SNAI, on the one side, Barcrest Group Limited and The Global Draw Limited on the other side, and their parent company Scientific Games Corporation, to settle a number of pending issues, which arose between the parties for the well-known events occurred in April 2012. In relation to the above-mentioned transaction, SNAI waived the actions in the Roman case that, at the same date, following the joint request submitted by the parties, was declared cancelled, with legal expenses offset, and reached an agreement with the above companies on pending cases and the payment of damages and costs already borne, including some guarantees on the cases themselves;
- Euro 1,015 thousand related to costs borne for the conclusion of the above-mentioned agreement;
- Euro 1,822 thousand related to costs borne for the acquisition of Cogemat Group.

37. Events or transactions arising from atypical and/or unusual transactions

No atypical and/or unusual operations took place during the year 2015.

38. Group structure

Ownership of the Group
SNAI S.p.A., the parent company, is legally subject to control by Global Games S.p.A.

Subsidiaries

	Percentage held	
	As of December 31, 2015	**As of December 31, 2014**
IMMOBILIARE VALCARENGA S.r.l. held by a sole quotaholder	-	100
FESTA S.r.l. held by a sole quotaholder	-	100
Società Trenno S.r.l. held by a sole quotaholder	100	100
SNAI Olè S.A. in liquidation	-	100
Teleippica S.r.l.	100	100
SNAI Rete Italia S.r.l.	100	-
Finscom S.r.l.	100	-
Cogemat S.p.A.	100	-
Cogetech S.p.A.	100	-
Cogetech Gaming S.p.A.	100	-
Azzurro Gaming S.p.A.	100	-
Fondazione IziLove	100	-

The composition of the whole Group, and the consolidation methods used, 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 Group's net financial position is set forth in the following table:

thousands of Euro	**As of December 31, 2015**	**As of December 31, 2014**
A. Cash in hand	1,338	203
B. Other cash equivalents	106,250	68,426
Current bank account	*105,478*	*68,100*
Postal accounts	*772*	*326*
C. Financial assets held for trading	1,484	1
D. Cash and cash equivalents (A) + (B) + (C)	**109,072**	**68,630**
E. Current financial receivables	**-**	**-**
F. Current bank loans	71	40
G. Current portion of non-current indebtedness	-	19,552
H. Other current financial liabilities	3,493	3,331
- for the purchase of investments and agency business unit	2,166	2,148
- for the purchase of horse and sports racing concessions	32	32
- due to other lenders	1,295	1,151
I. Current financial indebtedness (F) + (G) + (H)	**3,564**	**22,923**
J. Net current financial indebtedness (I) - (E) - (D)	**(105,508)**	**(45,707)**
K. Non-current bank indebtedness	-	-
L. Bonds issued	573,030	463,561
M. Other non-current liabilities	71	1,208
- payables to other lenders	71	1,208
N. Non-current financial indebtedness (K) +(L) + (M)	**573,101**	**464,769**
O. Net financial indebtedness (J)+(N)	**467,593**	**419,062**

It is worth nothing that, according to cash flows resulting from the forecast of the management, the Company could be unable to fully repay its payables related to bond loans but, in line with a generally accepted market practice, the Company will be able to refinance the portion of indebtedness that potentially could remain unpaid at the maturity term.

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,853 thousand, classified under item "current financial assets" on the balance sheet, the special current account of Euro 95 thousand and the other non-current financial assets, equal to Euro 1,773 thousand (see Note 22).

With respect to the net financial indebtedness as of December 31, 2014, the net financial debt increased by Euro 48,531 thousand. The increase is mainly due to the consolidation effect of the net indebtedness of Cogemat.

39.1 Covenants

As is customary for loans of this kind, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 28, prescribe a number of obligations for the Group.

The above-mentioned agreements provide, in accordance with common practice in similar transactions, that the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the restrictions on the distribution of dividends until expiration of other bond loans, as well as restrictions on the early repayment of bonds, in taking on financial indebtedness and in making specific investments and disposing of corporate assets and properties. Events of default are also specified, which may make it necessary for the lenders to demand early repayment.

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A, Deutsche Bank S.p.A. and JP Morgan Chase Bank, N.A., Milan Branch, relating to a Senior Revolving loan for a total amount of Euro 55 million (for more information see Note 28).

In particular, we refer to the requirement to maintain a given minimum level of "Consolidated Pro-Forma EBITDA". "Consolidated Pro-Forma EBITDA" is defined in the loan agreement and indicates the consolidated earnings before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items.

The Group is also obliged to provide its lenders periodic information on its cash flows and income, and key performance indicators, including EBITDA and net financial indebtedness.

It is noted that, as of December 31, 2015, the Company was compliant with commitments and covenants.

40. Financial Instruments

The following table sets forth a comparison between the carrying values and fair values of all of the Group's financial instruments and other assets and liabilities of the Group.

Financial assets and liabilities	carrying amount		fair value	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Cash and cash equivalents	107,588	68,629	107,588	68,629
Trade Receivables	136,169	58,486	136,169	58,486
Current financial assets	21,432	19,663	21,432	19,663
Non-current financial assets	1,773	1,244	1,773	1,244
Current financial liabilities	3,564	3,371	3,564	3,371
Current portion of long-term borrowings	-	19,552	-	19,552
Non-current financial liabilities	573,101	464,769	573,101	464,769
Other Assets and Liabilities				
Other current assets	58,272	24,509	58,272	24,509
Other non-financial non-current assets	3,304	1,967	3,304	1,967
Sundry payables and other non-current liabilities	6,264	2,336	6,264	2,336
Trade payables	42,365	32,385	42,365	32,385
Other liabilities	183,686	91,117	183,686	91,117

The fair value hierarchy, as defined by IFRS7, is as follows:

- level 1: if the financial instrument is listed in an active market;
- level 2: if the fair value is measured based on measurement techniques taking benchmark parameters that are observable on the market, other than prices of the financial instrument;
- level 3: if the fair value is calculated based on measurement techniques taking benchmark parameters that are not observable on the market.

Measurement at fair value is performed based on methods classified under Level 2 of the fair value hierarchy, as defined by IFRS standards. The Group has adopted internal valuation models, generally used in financial practice. During 2015, no transfers occurred between fair value hierarchy Levels.

The management has assessed that the carrying amount of cash and cash equivalents and short-term deposits, as well as trade receivables and payables, bank overdrafts and other current liabilities are consistent with fair value due to the short-term expiration terms of these instruments.
The fair value of financial assets and liabilities is disclosed for the amount which might be exchanged in a current transaction between willing parties, rather than in a forced sale or in a liquidation procedure. The following methods and assumptions have been adopted in measuring fair value:

- long-term accounts receivable and loans, both with fixed and variable rate, are measured by the Group based on parameters like interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Allocations for expected expenses on these receivables are accounted for based on the above evaluations. As of December 31, 2015, the carrying amount of these accounts receivable, net of allocations, was substantially similar to their fair value;
- the fair value of bonds resulting from financial leases and other non-current financial liabilities is measured through future cash flows discounted by applying the current rates available for accounts payable with similar terms, such as credit risk and remaining expiration terms;
- the fair value of Group loans and borrowings is measured using the discounted cash flow method and a discount rate which would reflect the interest rate of the issuer at year-end. Insolvency risk for the Group as of December 31, 2015 was assessed as irrelevant;
- the fair value of debt instruments issued by the Group are measured using the discounted cash flow models based on current financing marginal rates for similar types of loans, with maturity terms consistent with the residual useful life of the debt instruments in question.

41. Subsequent events

41.1 Stability Law

Over the first months of 2016, further amounts that had been collected from the operators in the segment after the end of 2015, were paid as contribution concerning the 2015 period Stability Law, for a total amount of Euro 1,761 thousand.

41.2 Repayment of the ADM guarantee deposit

In March, the concession holders Snai S.p.A. and Cogetech S.p.A. received a notice from ADM on the achievement percentage of service levels used to calculate the amount of Guarantee Deposit to be repaid in 2015. The Guarantee Deposit that the SNAI Group is expecting to receive from ADM amounts to around Euro 37.4 million.

41.3 ADM monitoring procedure on concession ratios of SNAI S.p.A.

On April 19, 2016, ADM sent a notice to SNAI on the monitoring of concession ratios related to the unfulfillment of the indebtedness ratio and other ratios envisaged in the concession agreements, which has already been described in the section related to the company's ongoing evaluation. The indebtedness ratio was reinstated under the threshold value after the completion of the Cogemat transaction on November 19, 2015. Based on this notice, the Company believes that there is no risk that concessions would be revoked due to the unfulfillment of covenants on the equity soundness.

41.4 Approval of the merger project

In the meetings held on 21 and 26 April, the Boards of Directors of SNAI S.p.A. and of the companies that are entirely, directly or indirectly investees (Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A.), approved the common project of merger into SNAI.
The above resolution is the natural evolution of the rationalization plan, implemented after the transaction occurred on November 19, 2015, aimed to simplification of the structure and the development of the operating, administration and corporate synergies. Following the merger, in fact, all activities that were currently carried out by merged companies in the segment of wagers of gaming machines and bets, will be concentrated within SNAI. The latter will therefore take the place of the aforesaid companies in their assets and liabilities, without interruption.
Taking account that SNAI already holds the entire share capital of Cogemat, which, in turn, holds the entire share capital of CGT Gaming and Cogetech (owning the entire share capital of Azzurro), no SNAI shares will be assigned in exchange of shareholdings in the merging companies that are directly and indirectly owned. No share capital increase for SNAI is therefore envisaged for exchange purposes, nor changes in the number and characteristics of outstanding SNAI shares, or cash compensation are envisaged. The Articles of Association of the merging company shall not be amended in reason of the merger and the latter shall not entitle shareholders to exercise any withdrawal right.

41.5 Relations with Consob

The company began the drawing up of the Information Statement on the admission to listing on the MTA, organized and managed by Borsa Italiana S.p.A., of 71,602,410 ordinary shared related to the share capital increase connected with the acquisition of Cogemat Group. To this purpose, the authorization was asked to Consob, with the aim of obtaining permission to publish the Statement within the first half of 2016.

41.6 Ordinary inspection by UIF (Financial Intelligence Unit)

On March 21, 2016, the UIF (Financial Intelligence Unit) for Italy started an ordinary inspection at the company SNAI S.p.A., pursuant to articles 47 and 53, par. 4, of the Legislative Decree 231/07, in relation to further assessments on the reporting of suspicious transactions. The company SNAI S.p.A. supplied the utmost collaboration and support to Authorities. The assessment ended on April 15, 2015.

41.7 Rent with commitment of purchase of SIS business unit

On February 29, 2016 the condition precedent was fulfilled as set out by Art. 9.3 of the purchase agreement of the former SIS business unit, currently under rent agreement. To date, procedures are being completed, as shared with the authorities connected with the composition with creditors of SIS, for the closing of the transaction. Its completion is likely to occur within the month of June 2016.

41.8 Appointment of new CFO

Since January 2016, SNAI S.p.A. appointed Mr. Chiaffredo Stefano Rinaudo as Chief of the Group Administration, Finance and Control Management.

42. Fees for statutory audit and services other than auditing

The following table sets forth the amounts accrued in the year 2014 for auditing services provided by the Company's auditor.

Type of service	Entity that provided the service	Recipient	Note	Fee for year 2015 (thousands of euro)
Audit services	Parent Company's Auditor	Parent Company		432.5
	Parent Company's Auditor	Subsidiaries	(1)	359.1
Services of attestation (2)	Parent Company's Auditor	Parent Company	(2)	820.0
	Parent Company's Auditor	Subsidiaries	(3)	250.0

Services of tax consulting		-	-	0.0
Other services	Parent Company's Auditor	Parent Company	(4)	170.0
	Parent Company's Auditor	Subsidiaries	(5)	81.0
Total				**2,112.6**

(1) The audited subsidiaries are Società Trenno S.r.l., Teleippica S.r.l., Teseo S.r.l. in liquidation, SNAI Rete Italia S.r.l., Finscom S.r.l., Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A. Fees for the auditing services of Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A. are disclosed in the aggregate, annual amount, albeit these companies had been consolidated only as from November 1, 2015.

(2) The item refers to fees for services of attestation rendered to SNAI in connection with:
  (i) the bond loan of Euro 110 million, issued in July 2015;
  (ii) the consistency notice and the information document prepared for the transfer of Cogemat shares;
  (iii) information statement, being prepared, for the listing request of shares issued against the transfer of Cogemat.

(3) The item refers to payments made for certification services rendered to the Cogemat Group in connection with the bond loan of Euro 110 million, issued by SNAI in July 2015. The amounts disclosed are related to a period prior to the acquisition by SNAI.

(4) The item includes fees (i) for the assistance in the drawing up of the financial sections of the Offering Memorandum related to the bond loan of Euro 110 million and (ii) for proceedings agreed on the calculation of financial covenants and some data related to a supplier of SNAI S.p.A. - the latter were mainly performed in the first months of 2016.

(5) The item includes amounts related to assistance services rendered to Cogemat (i) for the for the assistance in the drawing up of the financial sections of the Offering Memorandum related to the bond loan of Euro 110 million issued by SNAI and (ii) the conversion of figures related to the Cogemat Group based on IFRS provisions.

(6) The amounts disclosed are related to a period prior to the acquisition by SNAI.

Other Disclosures

These Explanatory Notes are supplemented by the information reported in the annexes:
  (1) Composition of the SNAI Group as of December 31, 2015;

The annexes form an integral part of these notes and provide additional details and explanation of the relevant items in the financial statements.
The financial statements of consolidated subsidiaries and affiliates are all expressed in Euros.
These financial statements are a true and faithful representation of the consolidated net worth, financial and earnings position for the year and reflect the accounting records.

On behalf of the Board of Directors
Fabio Schiavolin
(Chairman and Managing Director)

Milan - April 26, 2016

*****

The executive in charge of the preparation of the Company's accounting and corporate documentation, Marco Codella, pursuant to paragraph 5 Art. 154-bis of the Financial Service Act, declares that the accounting information contained in this consolidated financial statements corresponds to the information contained in the documents, books and accounting records.

ATTACHMENT 1

Composition of the SNAI Group as of December 31, 2015

(thousands of Euro)

Name	Head office	Share Capital	Owned percentage	Note	Type of business	Consolidation method/Valuation criteria
- SNAI S.p.A.	Porcari (LU)	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	line-by-line basis
Subsidiaries:						
- Società Trenno S.r.l. held by a sole quotaholder	Milan (MI)	1.932	100,00%	(1)	Organization and operation of horse races and the training centre	Line-by-line basis
- Cogemat S.p.A.	Milan (MI)	35.176	100,00%	(2)	Control and coordination holding	Line-by-line basis
- Cogetech S.p.A.	Milan (MI)	10.000	100,00%	(3)	Trading of horse racing and sports betting through its own concessions - electronic operation and dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - remote skill games - trading of value added services	Line-by-line basis
- Cogetech Gaming S.r.l.	Milan (MI)	101	100,00%	(4)	Trading of horse racing and sports betting through its own concessions	Line-by-line basis
- Azzurro Gaming SpA	Milan (MI)	5.000	100,00%	(5)	Management of gaming machines	Line-by-line basis
- Fondazione IziLove Fondation	Milan (MI)	100	100,00%	(6)	Non-profit company - Social solidarity and charity	Line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1.032	100,00%	(7)	Design and planning of betting management software systems	Shareholders' Equity
- Teleippica S.r.l. held by a sole quotaholder	Porcari (LU)	2.540	100,00%	(8)	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. held by a sole quotaholder	Porcari (LU)	10	100,00%	(9)	Acquisition of shareholdings in companies managing sales points, as well as of the centralisation and management of direct sales points	Line-by-line basis
- Finscom S.r.l.	Mantua (MN)	25	100,00%	(10)	Direct management of sales points	Line-by-line basis
Affiliates:						

- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27,78%	(11)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30,00%	(12)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	996	30,70%	(13)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connext S.r.l. in liquidation	Porcari (LU)	82	25,00%	(14)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
- C.G.S. Consorzio Gestione Servizi in liquidation	Milan (MI)	22	50,00%	(15)	Accounting, administrative, IT and advertising services for the members of the consortium	Shareholders' Equity
Other companies:						
- Lexorfin S.r.l.	Rome (RM)	1.500	2,44%	(16)	Financial holding company in the horse race sector	Cost
- Obiettivo 2016 S.r.l.	Mantua (MN)	90	0,01%	(17)	Data electronic processing - dormant	Cost

Notes on the composition of the SNAI Group

(1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the acquisition by incorporation of Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.). The company was incorporated on July 27, 2006, and on September 15, 2006 Ippodromi San Siro S.p.A. contributed its “horse racing operations” business unit.
(2) Wholly-owned subsidiary of SNAI S.p.A., acquired on November 19, 2015 through transfer.
(3) Wholly-owned subsidiary through Cogemat S.p.A., acquired with the acquisition of Cogemat Group on November 19, 2015.
(4) Wholly-owned subsidiary through Cogemat S.p.A., acquired with the acquisition of Cogemat Group on November 19, 2015.
(5) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the acquisition of Cogemat Group on November 19, 2015.
(6) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the acquisition of Cogemat Group on November 19, 2015.
(7) Incorporated on November 13, 1996, and acquired by SNAI S.p.A. on December 30, 1999. On August 3, 2001, Teseo S.r.l. entered winding-up.
(8) Acquired by third parties on May 5, 2000. On October 2, 2003, the extraordinary shareholders’ meeting changed the company’s 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 SNAI S.p.A. acquired control of 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. SNAI S.p.A. owns 100% of the share capital of Teleippica S.r.l.
(9) On April 3, 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10 thousand, and also aimed at the acquisition of shareholdings in companies managing sales points, as well as of the centralisation and management of direct sales points.
(10) On April 1, 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l., in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on April 8, 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom. Following the waive by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09. At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.
(11) On January 12, 2011, the shareholders’ meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, to reduce the share capital to Euro 944,520.00. SNAI S.p.A.’s shareholding was unchanged at 27.78%.
(12) A company incorporated under Luxembourg law on March 10, 2006 by SNAI S.p.A., which holds 30%, and FCCD Limited, a company incorporated under Irish law, which holds 70%.
(13) Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.), now merged into SNAI S.p.A., already owned 30.70% of this shareholding.
(14) On December 7, 2000, the shareholding in Connext S.r.l. was acquired through the purchase of option rights from former shareholders, and the subsequent subscription (and payment) of the share capital increase reserved to the holders of those rights. On February 4, 2015, the shareholders’ meeting resolved to wind up the company.
(15) Acquired on April 8, 2015 through the purchase of the company Finscom S.r.l.
(16) Shareholding of 2.44% acquired on July 19, 1999 by Società Trenno S.p.A., which was subsequently merged into SNAI S.p.A., by incorporation.
(17) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the acquisition of Cogemat Group on November 19, 2015.

Certification related to the consolidated financial statement pursuant to articles 154 bis, paragraph 5, Legislative Decree 58/98

1. The undersigned, Fabio Schiavolin, in his capacity as Managing Director of SNAI S.p.A., and Marco Codella in his capacity as the executive in charge of the preparation of the accounting and corporate documentation of SNAI 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 as of and for period ended 31.12.2015.

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 capital, economic and financial situation of the issuer as well as of the group of companies included in the consolidation perimeter.

    3.2 The 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.

    This certification is rendered also pursuant to and for purposes of art. 81-ter of Consob Regulation No. 11971 dated 14 May 1999 as subsequently amended and supplemented.

Milan, 29th April 2016

Chief Executive Officer

(Fabio Schiavolin)

The executive rresponsible for the preparation of the corporate and accounting documents

(Marco Codella)

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SNAI GROUP SUBSIDIARIES
FINANCIAL STATEMENTS
FY 2015

SOCIETA' TRENNO S.R.L.
Reg. Office: via Ippodromo, 100 - 20151 Milan - Tax Code and VAT No. 02044330468 - REA Mantova No. 1820350
Share Capital Euro 1,932,230.00 fully paid in Register of Companies in Milan no. 02044330468

Financial statements prepared in accordance with IAS/IFRS standards

Balance Sheet as at 31 December 2015

(in Euro)

ASSETS	**31/12/15**	**31/12/14**
Non-current assets		
Property, plant and equipment owned	928.631	1.084.343
Assets held under financial lease	0	307
Total property, plant and equipment	**928.631**	**1.084.650**
Other intangible assets	26.041	36.843
Total intangible assets	**26.041**	**36.843**
Other financial assets	0	0
Deferred tax assets	709.832	1.195.138
Other non-financial assets	17.588	30.354
Total non-current assets	**1.682.092**	**2.346.985**
Current assets		
Inventories	37.983	29.513
Trade receivables	2.489.409	2.330.612
Other assets	6.874.530	5.843.745
Cash and cash equivalents	2.515.153	868.772
Total current assets	**11.917.075**	**9.072.642**
TOTAL ASSETS	**13.599.167**	**11.419.627**

LIABILITIES AND SHAREHOLDERS' EQUITY	**31/12/15**	**31/12/14**
Shareholders' Equity		
Share Capital	1.932.230	1.932.230
Reserves	1.817.708	4.652.450
Profit/(Loss) for the period	(1.842.790)	(2.875.623)
Total Shareholders' Equity	**1.907.148**	**3.709.057**
Non-current liabilities		
Post-employment benefits	1.887.581	2.158.212
Non-current financial liabilities	0	0
Deferred tax liabilities	0	268
Provisions for risks and charges	600.000	8.571
Sundry payables and other non-current liabilities	54.365	10.807
Total non-current liabilities	**2.541.946**	**2.177.858**
Current liabilities		
Trade payables	2.072.613	1.795.411
Other liabilities	1.137.934	1.123.400
Current financial liabilities	5.939.526	2.613.555
Current portion of long-term borrowings	0	346
Total financial liabilities	**5.939.526**	**2.613.901**
Total current liabilities	**9.150.073**	**5.532.712**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**13.599.167**	**11.419.627**

Income Statement as of 31 December 2015

(in Euro)

	Year 2015	**Year 2014**
Revenues from sales and services	9.629.417	6.512.477
Other revenue and income	405.975	537.686
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(199.980)	(175.343)
Costs for services and use of third party assets	(5.031.947)	(4.688.643)
Costs of personnel	(5.242.765)	(4.595.290)
Other operating costs	(1.064.116)	(574.879)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**(1.503.416)**	**(2.983.992)**
Amortisation and depreciation	(447.048)	(607.520)
Other provisions	0	0
Results of operations	**(1.950.464)**	**(3.591.512)**
Financial income	827	6.263
Financial expenses	(441.737)	(343.458)
Total financial income and expenses	**(440.910)**	**(337.195)**
PROFIT/(LOSS) BEFORE TAXES	**(2.391.374)**	**(3.928.707)**
Income tax	548.584	1.053.084
Profit/(Loss) for the period	**(1.842.790)**	**(2.875.623)**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	40.881	(95.254)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**40.881**	**(95.254)**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes		**0**
Total profit/(loss) in comprehensive income statement, after taxes	**40.881**	**(95.254)**
Total net profit (loss) for the year	**(1.801.909)**	**(2.970.877)**

for the Board of Directors
The Managing Director
(Stefano Marzullo)

Teleippica S.r.l. held by a sole quotaholder
Reg. Office: via Boccherini, 39 - 55016 Porcari (LU) - Tax Code 01913970206 and VAT No. 01779230463 - REA Lucca No. 170724
Share Capital Euro 2,540,000.00 fully paid in - Register of Companies in Lucca no. 01913970206

Financial statements prepared in accordance with IAS/IFRS standards

Balance Sheet as at 31 December 2015

(in Euro)

ASSETS	**31/12/15**	**31/12/14**
Non-current assets		
Property, plant and equipment owned	2.688.937	3.152.147
Assets held under financial lease	0	0
Total property, plant and equipment	**2.688.937**	**3.152.147**
Goodwill	443.129	443.129
Other intangible assets	93.189	129.761
Total intangible assets	**536.318**	**572.890**
Deferred tax assets	104.243	64.935
Other non-financial assets	151.917	151.788
Total non-current assets	**3.481.415**	**3.941.760**
Current assets		
Inventories	4.859	0
Trade receivables	2.366.935	9.190.625
Other assets	458.620	404.732
Current financial assets	10.504.076	1.611.447
Cash and cash equivalents	609.813	810.840
Total current assets	**13.944.303**	**12.017.644**
TOTAL ASSETS	**17.425.718**	**15.959.404**

LIABILITIES AND SHAREHOLDERS' EQUITY	**31/12/15**	**31/12/14**
Share Capital	2.540.000	2.540.000
FTA reserves	73.848	73.848
Reserves	9.084.482	8.500.227
Profit (loss) for the year	1.049.049	585.384
Total Shareholders' Equity	**12.747.379**	**11.699.459**
Non-current liabilities		
Post-employment benefits	705.697	621.610
Non-current financial liabilities	0	0
Deferred tax liabilities	71.768	72.638
Provisions for risks and charges	0	0
Total non-current liabilities	**777.465**	**694.248**
Current liabilities		
Trade payables	1.680.821	1.608.807
Other liabilities	2.219.988	1.956.803
Current financial liabilities	65	87
Current portion of long-term borrowings	0	0
Total financial liabilities	**65**	**87**
Total current liabilities	**3.900.874**	**3.565.697**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**17.425.718**	**15.959.404**

Income Statement as of 31 December 2015

(in Euro)

	Year 2015	Year 2014
Revenues from sales and services	11.845.829	11.845.951
Other revenue and income	354.088	316.645
Raw materials and consumables	(32.103)	(34.210)
Costs for services and use of third party assets	(7.246.824)	(6.766.579)
Costs of personnel	(2.343.022)	(2.620.006)
Other operating costs	(400.876)	(473.878)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**2.177.092**	**2.267.923**
Amortisation and depreciation	(1.044.783)	(1.082.909)
Other provisions	0	0
Earnings before interest and taxes	**1.132.309**	**1.185.014**
Gains and expenses from shareholdings	0	0
Financial income	448.845	19.109
Financial expenses	(39.747)	(297.569)
Total financial income and expenses	**409.098**	**(278.460)**
PROFIT/(LOSS) BEFORE TAXES	**1.541.407**	**906.554**
Income tax	(492.358)	(321.170)
Profit/(loss) for the period	**1.049.049**	**585.384**
(Loss)/profit from re-measurement on defined benefit plans after taxes	(1.129)	(40.520)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**(1.129)**	**(40.520)**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes		
Total profit/(loss) in comprehensive income statement, after taxes	**(1.129)**	**(40.520)**
Total net profit (loss) for the year	**1.047.920**	**544.864**

for the Board of Directors
The Managing Director
(Stefano Marzullo)

Snai Rete Italia S.r.l.
Reg. Office: via Boccherini, 39 - 55016 Porcari (LU) - Tax Code and VAT No. 02388410462 - REA Lucca N
Share Capital Euro 10,000.00 fully paid in - Register of Companies in Lucca no. 02388410462

Financial statements prepared in accordance with IAS/IFRS standards

Balance Sheet as of 31 December 2015

(in Euro)

ASSETS	**31/12/15**
Non-current assets	
Property, plant and equipment owned	713.632
Assets held under financial lease	0
Total property, plant and equipment	**713.632**
Goodwill	2.361.700
Other intangible assets	29.119
Total intangible assets	**2.390.819**
Shareholdings in subsidiaries & affiliates	400.765
Total shareholdings	**400.765**
Other financial assets	0
Deferred tax assets	640.984
Other non-financial assets	281.345
Total non-current assets	**4.427.545**
Current assets	
Inventories	0
Trade receivables	148.760
Other assets	1.859.166
Current financial assets	0
Cash and cash equivalents	2.631.642
Total current assets	**4.639.568**
TOTAL ASSETS	**9.067.113**

LIABILITIES AND SHAREHOLDERS' EQUITY	**31/12/15**
Share Capital	10.000
FTA reserves	-19.040
Reserves	6.500.000
Profit (loss) for the year	(13.228.913)
Total Shareholders' Equity	**(6.737.953)**
Non-current liabilities	
Post-employment benefits	606.796
Non-current financial liabilities	0
Deferred tax liabilities	120.263
Provisions for risks and charges	2.380.857
Total non-current liabilities	**3.107.916**
Current liabilities	
Trade payables	1.739.939
Other liabilities	8.002.821
Current financial liabilities	2.954.390
Current portion of long-term borrowings	0
Total financial liabilities	**2.954.390**
Total current liabilities	**12.697.150**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**9.067.113**

Income Statement as at 31 December 2015

(in Euro)

	Year 2015
Revenues from sales and services	3.148.484
Other revenue and income	146.112
Raw materials and consumables	0
Costs for services and use of third party assets	(2.657.816)
Costs of personnel	(3.934.109)
Other operating costs	(452.185)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**(3.749.514)**
Amortisation and depreciation	(5.304.438)
Other provisions	(2.380.857)
Earnings before interest and taxes	**(11.434.809)**
Gains and expenses from shareholdings	(3.153.265)
Financial income	7.587
Financial expenses	(354.570)
Total financial income and expenses	**(3.500.248)**
PROFIT/(LOSS) BEFORE TAXES	**(14.935.057)**
Income tax	1.706.144
Profit/(loss) for the period	**(13.228.913)**
(Loss)/profit from re-measurement on defined benefit plans after taxes	14.811
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**14.811**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	
Total profit/(loss) in comprehensive income statement, after taxes	**14.811**
Total net profit (loss) for the year	**(13.214.102)**

The Managing Director
(Vincenzo Noviello)

Finscom S.r.l.
Registered office: Viale Italia, 22 - 46100 Mantova (MN) - Tax Code and VAT No. 02205250208 - REA Mantova No. 233140
Share Capital Euro 25,000.00 fully paid in - Register of Companies in Mantova no. 02205250208

Financial statements prepared in accordance with national accounting standards

Finscom S.r.l.
Balance Sheet as of 31 December 2015
(in Euro)

ASSETS	**31/12/15**	**31/12/14**
(A) SUBSCRIBED CAPITAL UNPAID		
(B) FIXED ASSETS:		
I INTANGIBLE ASSETS:		
Gross amount	1.524.720	1.903.507
Amortisation and depreciation	619.945	602.508
TOTAL	904.775	1.300.999
II PROPERTY, PLANT AND EQUIPMENT:		
Gross amount	2.020.054	2.030.802
Amortisation and depreciation	2.000.085	1.999.845
TOTAL	19.969	30.957
III FINANCIAL ASSETS:		
receivables:		
due after the following year	56.379	102.403
Other financial assets	74.861	153.971
TOTAL FINANCIAL ASSETS	131.240	256.374
TOTAL FIXED ASSETS (B)	**1.055.984**	**1.588.330**
(C) WORKING CAPITAL:		
I INVENTORIES:		
4) finished products and goods	1.042	1.186
TOTAL INVENTORIES	1.042	1.186
II RECEIVABLES:		
due by the end of the following year	162.521	208.556
due after the following year	5.615	0
TOTAL RECEIVABLES	168.136	208.556
IV CASH ON HAND		
Total cash and cash equivalents	1.851.237	248.701
TOTAL	1.851.237	248.701
TOTAL WORKING CAPITAL (C)	**2.020.415**	**458.443**
D) PREPAYMENTS AND ACCRUED INCOME	**96.621**	**40.905**
TOTAL ASSETS	**3.173.020**	**2.087.678**

Finscom S.r.l.
Balance Sheet as at 31 December 2015
(in Euro)

LIABILITIES	**31/12/15**	**31/12/14**
(A) SHAREHOLDERS' EQUITY		
I SHARE CAPITAL	25.000	20.000
VII OTHER RESERVES		
Capital contributions	760.000	354.959
Other reserves	2.553.254	(4)
TOTAL OTHER RESERVES	3.313.254	354.955
VIII EARNINGS/(LOSS) CARRIED FORWARD	0	(4.825.939)
IX PROFIT/ (LOSS) FOR THE YEAR	(3.132.824)	(2.170.574)
TOTAL SHAREHOLDERS' EQUITY (A)	**205.430**	**(6.621.558)**
(B) PROVISIONS FOR RISKS AND CHARGES		
Provisions for risks and charges	532.846	585.172
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**532.846**	**585.172**
(C) POST- EMPLOYMENT BENEFITS	**611.536**	**638.924**
(D) PAYABLES		
due by the end of the following year	855.173	6.686.482
due after the following year	967.002	675.000
TOTAL PAYABLES	**1.822.175**	**7.361.482**
(E) ACCRUED LIABILITIES AND DEFERRED INCOME	**1.033**	**123.658**
TOTAL LIABILITIES	**3.173.020**	**2.087.678**
MEMORANDUM ACCOUNTS	**0**	**536.130**

Income Statement as of 31 December 2015

(in Euro)

				FISCAL YEAR 2015	FISCAL YEAR 2014
(A)	**VALUE OF PRODUCTION**				
	1)	revenues from sales and services		1.071.053	1.838.638
	5)	other revenues and income, with separate disclosure		768.853	200.081
TOTAL VALUE OF PRODUCTION (A)				**1.839.906**	**2.038.719**
(B)	**COSTS OF PRODUCTION**				
	6)	for raw material, consumables and goods for resale		8.117	17.039
	7)	for services		1.181.082	1.125.143
	8)	for use of third-party assets		400.449	469.570
	9)	for personnel:			
		a)	salaries and wages	740.856	828.974
		b)	social security expenses	225.541	255.789
		c)	post-employment benefits	65.349	67.461
		TOTAL OTHER COSTS OF PERSONNEL		1.031.746	1.152.224
	10)	amortisation and depreciation			
		a)	amortisation of intangible assets	326.656	328.200
		b)	depreciation of tangible assets	12.178	18.036
		c)	other impairment of fixed assets	71.276	0
		d)	write-down of receivables in Assets	1.088.443	154.404
		TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWNS		1.498.553	500.640
	11)	change in inventories, raw material, consumables and goods for resale		144	210
	12)	provisions for risks		329.985	355.744
	14)	sundry operating costs		381.887	248.209
TOTAL COSTS OF PRODUCTION (B)				**4.831.963**	**3.868.779**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)				**(2.992.057)**	**(1.830.060)**
(C)	**FINANCIAL INCOME AND EXPENSES**				
	16)	other financial income:			
		a)	from receivables recorded under fixed assets		
		from securities recorded under working capital which are not shareholdings			
		d)	other income not included above	5.994	1.374
			total	5.994	1.374
		TOTAL		5.994	1.374
	17)	interest and other financial expenses		35.231	77.668
		TOTAL		35.231	77.668
TOTAL C (15+16-17+ - 17 bis)				**(29.237)**	**(76.294)**
(D)	**IMPAIRMENT ON FINANCIAL ASSETS**				
	18)	write-ups			
		b)	financial assets other than shareholdings		
	19)	write-downs			
		a)	of shareholdings	10.846	0
TOTAL ADJUSTMENTS D (18-19)				**(10.846)**	**0**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**				
	20)	Income with separate disclosure of capital gains from disposal, the gains of which are not recordable at line 5		2	0
		TOTAL EXTRAORDINARY INCOME		2	0
	21)	Expenses with separate disclosure of capital loss from disposal, the acc.effects of which are not recordable at line 14) and taxes related to prior years:		43.264	0
		Other		57.422	264.220
		TOTAL EXTRAORDINARY EXPENSES		100.686	264.220
TOTAL EXTRAORDINARY ITEMS (20-21)				**(100.684)**	**(264.220)**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)				**(3.132.824)**	**(2.170.574)**
22)	Income taxes for financial year (current, deferred and paid in advance)				
	a)	Current taxes			
	b)	Deferred tax assets and liabilities			
23)	**PROFIT/ (LOSS) FOR THE YEAR**			**(3.132.824)**	**(2.170.574)**

The Managing Director
(Alberto Lucchi)

TESEO S.R.L. in liquidation
Reg. Office: via Toscana, 8 - 90100 Milan - Tax Code No. 01628410464 VAT No. 0527160828 - REA Palermo No. 230322
Share Capital Euro 1,032,000.00 fully paid in - Register of Companies in Palermo

Financial statements prepared in accordance with national accounting standards

Balance Sheet as of 31 December 2014
(in Euro)

ASSETS			**31/12/14**	**31/12/13**
(A)	**SUBSCRIBED CAPITAL UNPAID**			
(B)	**FIXED ASSETS:**			
(C)	**WORKING CAPITAL:**			
	I	INVENTORIES:		
		4) finished products and goods	0	0
		TOTAL INVENTORIES	0	0
	II	RECEIVABLES:		
		due by the end of the following year		
		1) from customers	540.081	3.060.957
		TOTAL RECEIVABLES	540.081	3.060.957
	IV	CASH ON HAND		
		1) bank and postal deposits	99	2.719
		TOTAL	99	2.719
	TOTAL WORKING CAPITAL (C)		**540.180**	**3.063.676**
D) PREPAYMENTS AND ACCRUED INCOME				
TOTAL ASSETS			**540.180**	**3.063.676**

LIABILITIES			**31/12/14**	**31/12/13**
(A)	**SHAREHOLDERS' EQUITY**			
	I	SHARE CAPITAL	1.032.000	1.032.000
	IV	LEGAL RESERVE	1.444	1.444
	VII	OTHER RESERVES		
		1) extraordinary reserve	4.933.180	4.933.180
		5) other reserves	0	(1)
		TOTAL OTHER RESERVES	4.933.180	4.933.179
	VIII	EARNINGS/(LOSS) CARRIED FORWARD	(5.968.740)	(5.843.062)
	IX	PROFIT/ (LOSS) FOR THE YEAR	(150.294)	(125.678)
	TOTAL SHAREHOLDERS' EQUITY (A)		**(152.410)**	**(2.117)**
(B)	**PROVISIONS FOR RISKS AND CHARGES**			
		3) other	20.000	2.941.350
		TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**20.000**	**2.941.350**
(C)	**POST- EMPLOYMENT BENEFITS**		**0**	**0**
(D)	**PAYABLES**			
		due by the end of the following year		
		14) other payables	672.590	124.443
		due after the following year		
		14) other payables	0	0
TOTAL PAYABLES			**672.590**	**124.443**
(E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**		**0**	**0**
TOTAL LIABILITIES			**540.180**	**3.063.676**
MEMORANDUM ACCOUNTS			**0**	**0**

Income Statement as at 31 December 2014

(in Euro)

			FISCAL YEAR 2014	FISCAL YEAR 2013
(A)	**VALUE OF PRODUCTION**			
	5)	other revenues and income, with separate disclosure of capital grants	0	64.059
TOTAL VALUE OF PRODUCTION (A)			**0**	**64.059**
(B)	**COSTS OF PRODUCTION**			
	6)	for raw material, consumables and goods for resale		
	7)	for services	46.938	59.365
	14)	sundry operating costs	103.356	130.372
TOTAL COSTS OF PRODUCTION (B)			**150.294**	**189.737**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)			**(150.294)**	**(125.678)**
(C)	**FINANCIAL INCOME AND EXPENSES**			
	16)	other financial income:		
		a) from receivables recorded under fixed assets		
		from securities recorded under working capital which are not shareholdings		
		d) other income not included above		0
		total	0	0
		TOTAL	0	0
	17)	interest and other financial expenses from:	0	0
		TOTAL	0	0
TOTAL C (15+16-17+ - 17 bis)			**0**	**0**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**			
	20)	Income with separate disclosure of capital gains from disposal, the gains of which are not recordable at line 5	0	0
		TOTAL EXTRAORDINARY INCOME	0	0
	21)	Expenses with separate disclosure of capital loss from disposal, the acc.effects of which are not recordable at line 14) and taxes related to prior years:	0	0
		TOTAL EXTRAORDINARY EXPENSES	0	0
TOTAL EXTRAORDINARY ITEMS (20-21)			**0**	**0**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)			**(150.294)**	**(125.678)**
23)	**PROFIT/ (LOSS) FOR THE YEAR**		**(150.294)**	**(125.678)**

The Liquidator
Mr. Lorenzo Ferrigno

Cogemat S.p.A.
Registered office: Piazza Repubblica 32, Milan - Tax Code 08897510015 VAT No. 08897510015 - REA No. 1779063
Share Capital Euro 35,175,563 fully paid in Register of Companies in Milan

Financial statements prepared in accordance with national accounting standards

Cogemat S.p.A.
Balance Sheet as of 31 December 2015
(in Euro)

ASSETS				**31/12/15**	**31/12/14**
(A)	**SUBSCRIBED CAPITAL UNPAID**			**0**	**0**
(B)	**FIXED ASSETS:**				
	I	INTANGIBLE ASSETS:			
		1)	formation and enlargement costs	21.803	32.705
		4)	concessions, licences, trademarks and similar rights	0	0
		5)	Goodwill	0	0
		6)	assets in progress and down payments	0	0
		7)	other	0	1.761.181
		TOTAL		21.803	1.793.886
	II	PROPERTY, PLANT AND EQUIPMENT:			
		1)	land and buildings	0	0
		2)	plant and machinery	0	0
		3)	industrial and commercial equipment	0	0
		4)	other assets	0	0
		5)	assets in progress and down payments	0	0
		TOTAL		0	0
	III	FINANCIAL ASSETS:			
		1)	shareholdings in:		
			a) subsidiaries	57.706.288	60.530.264
			b) affiliates	0	0
			d) other companies	0	0
			TOTAL SHAREHOLDINGS	57.706.288	60.530.264
		2)	receivables:		
			a) from subsidiaries		
			due by the end of the following year	0	44.602.601
			due after the following year	0	0
			TOTAL	0	44.602.601
			d) from other entities		
			due by the end of the following year	0	0
			due after the following year	0	0
			TOTAL RECEIVABLES	0	0
TOTAL FIXED ASSETS (B)				**57.728.091**	**106.926.751**
(C)	**WORKING CAPITAL:**				
	I	INVENTORIES:			
		1)	raw material, consumables and goods for resale	0	0
		TOTAL INVENTORIES		0	0
	II	RECEIVABLES:			
		1)	from customers		
			due by the end of the following year	0	0
			due after the following year	0	0
			TOTAL	0	0
		2)	from subsidiaries		
			due by the end of the following year	0	1.411.270
			due after the following year	0	0
			TOTAL	0	1.411.270
		4bis)	tax credits		
			due by the end of the following year	2.562.069	2.409.701
			due after the following year	0	0
			TOTAL	2.562.069	2.409.701
		4ter)	deferred tax assets	1.354.848	10.374
			TOTAL	1.354.848	10.374
		5)	from others		
			due by the end of the following year	0	109
			due after the following year	0	0
			TOTAL	0	109
		TOTAL RECEIVABLES		3.916.917	3.831.454
	III	FINANCIAL ASSETS OTHER THAN LONG-TERM ASSETS		0	0
	IV	CASH ON HAND			
		1)	bank and postal deposits	1.280	12.006
		3)	cash in hand	0	0
		TOTAL		1.280	12.006
	TOTAL WORKING CAPITAL (C)			**3.918.197**	**3.843.460**
D) PREPAYMENTS AND ACCRUED INCOME				**3.868**	**2.098.138**
TOTAL ASSETS				**61.650.156**	**112.868.348**

LIABILITIES			31/12/15	31/12/14
(A)	**SHAREHOLDERS' EQUITY**			
	I	SHARE CAPITAL	35.175.563	35.175.563
	II	SHARE PREMIUM RESERVE	35.671.834	35.671.834
	IV	LEGAL RESERVE	1.558.849	1.232.787
	VII	OTHER RESERVES	6.195.184	0
	VIII	EARNINGS/(LOSS) CARRIED FORWARD	(35.974.455)	(35.974.455)
	IX	PROFIT/ (LOSS) FOR THE YEAR	(8.222.284)	6.521.246
	TOTAL SHAREHOLDERS' EQUITY PERTAINING TO THE GROUP (A)		**34.404.691**	**42.626.975**
		to Third parties		
	X	THIRD-PARTY CAPITAL AND RESERVES	0	0
	XI	PROFIT/ (LOSS) FOR THE YEAR	0	0
	TOTAL THIRD-PARTY SHAREHOLDERS' EQUITY (A)		**0**	**0**
	TOTAL SHAREHOLDERS' EQUITY (A)		**34.404.691**	**42.626.975**
(B)	**PROVISIONS FOR RISKS AND CHARGES**			
	3)	other	4.164.037	4.684.577
		TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**4.164.037**	**4.684.577**
(C)	**POST- EMPLOYMENT BENEFITS**		**0**	**0**
(D)	**PAYABLES**			
	1)	bonds		
		due by the end of the following year	0	16.763
		due after the following year	0	52.473.900
		TOTAL	0	52.490.663
	3)	payables to shareholders for loans		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
	4)	payables to banks		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
	6)	down payments		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
	7)	payables to suppliers		
		due by the end of the following year	364.281	378.473
		due after the following year	0	0
		TOTAL	364.281	378.473
	9)	payables to subsidiaries from the same parent company		
		due by the end of the following year	8.811.319	10.610.936
		due after the following year	13.887.542	2.071.879
		TOTAL	22.698.861	12.682.814
	12)	tax payables		
		due by the end of the following year	18.268	3.969
		due after the following year	0	0
		TOTAL	18.268	3.969
	13)	payables to welfare and social security institutions		
		due by the end of the following year	19	877
		due after the following year	0	0
		TOTAL	19	877
	14)	other payables		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
TOTAL PAYABLES			**23.081.429**	**65.556.796**
(E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**		**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**61.650.156**	**112.868.348**
MEMORANDUM ACCOUNTS			**10.101.000**	**91.444.671**

Income Statement as of 31 December 2015

(in Euro)

				FISCAL YEAR 2015	FISCAL YEAR 2014
(A)	**VALUE OF PRODUCTION**				
	1)	revenues from sales and services		0	0
	5)	other revenues and income, with separate disclosure of capital grants		7	14
TOTAL VALUE OF PRODUCTION (A)				**7**	**14**
(B)	**COSTS OF PRODUCTION**				
	6)	for raw material, consumables and goods for resale		0	0
	7)	for services		1.010.907	809.641
	8)	for use of third-party assets		0	0
	9)	for personnel:			
		a)	salaries and wages	0	0
		b)	social security expenses	0	0
		c)	post-employment benefits	0	0
		e)	other costs	0	0
		TOTAL OTHER COSTS OF PERSONNEL		0	0
	10)	amortisation and depreciation			
		a)	amortisation of intangible assets	342.643	472.678
		b)	depreciation of tangible assets	0	0
		c)	other impairment of fixed assets	0	0
		d)	write-down of receivables in Assets capital and cash on hand	0	0
		TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWNS		342.643	472.678
	11)	change in inventories, raw material, consumables and goods for resale		0	0
	12)	provisions for risks		0	0
	13)	other provisions		0	0
	14)	sundry operating costs		1.272	1.662
TOTAL COSTS OF PRODUCTION (B)				**1.354.822**	**1.283.982**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)				**(1.354.815)**	**(1.283.968)**
(C)	**FINANCIAL INCOME AND EXPENSES**				
	15)	from equity investments in subsidiaries		0	0
	16)	other financial income:			
		a)	from receivables recorded under fixed assets	4.643.427	4.396.348
		b)	from securities recorded under fixed assets	0	0
		c)	from securities in the working capital	0	0
		d)	other income not included above	1	105
		TOTAL		4.643.428	4.396.453
	17)	interest and other financial expenses			
		a)	from subsidiaries	(290.002)	(65.606)
		b)	from affiliates	0	0
		c)	from parent companies	0	0
		d)	from others	(7.547.338)	(5.631.554)
		TOTAL		(7.837.341)	(5.697.160)
	17bis)	exchange rate gains and losses		(37)	(351)
TOTAL C (15+16-17+ - 17 bis)				**(3.193.950)**	**(1.301.059)**
(D)	**IMPAIRMENT ON FINANCIAL ASSETS**				
	18)	value adjustments/write-ups		520.541	9.393.563
	19)	value adjustments/write-downs		(4.523.976)	(852.048)
TOTAL ADJUSTMENTS D (18-19)				**(4.003.435)**	**8.541.515**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**				
	20)	Extraordinary income		553.463	2.930
	21)	Extraordinary expenses		(1.567.488)	(25.506)
		TOTAL EXTRAORDINARY EXPENSES		(1.014.025)	(22.576)
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)				**(9.566.226)**	**5.933.912**
	22)	Income taxes for financial year (current, deferred and paid in advance)			
	a)	Current taxes Deferred tax liabilities Deferred tax assets Income from tax consolidation		(1.344.474)	(1.998)
	b)	Income from adhesion to tax consolidation/tax transparency		533	(585.335)
INCOME TAX				**(1.343.941)**	**(587.333)**
23)	**PROFIT/ (LOSS) FOR THE YEAR**			**(8.222.284)**	**6.521.246**

The Managing Director
Fabio Schiavolin

Cogetech S.p.A.
Registered office: Piazza Repubblica 32, Milan - Tax Code 04497000960 VAT No. 04497000960 - REA No. 1752331
Share Capital Euro 10,000,000 fully paid in Register of Companies in Milan

Financial statements prepared in accordance with national accounting standards

Cogetech S.p.A.
Balance Sheet as of 31 December 2015
(in Euro)

ASSETS			**31/12/15**	**31/12/14**
(A)	**SUBSCRIBED CAPITAL UNPAID**		**0**	**0**
(B)	**FIXED ASSETS:**			
I	INTANGIBLE ASSETS:			
	1)	formation and enlargement costs	0	0
	3)	industrial patent rights and use of intellectual property	1.775.956	1.908.563
	4)	concessions, licences, trademarks and similar rights	46.198.908	54.237.327
	5)	goodwill	0	0
	6)	assets in progress and down payments	17.243	137.120
	7)	other	2.573.573	7.516.009
	TOTAL		50.565.680	63.799.019
II	PROPERTY, PLANT AND EQUIPMENT:			
	1)	land and buildings	0	0
	2)	plant and machinery	27.578	42.293
	3)	industrial and commercial equipment	635.008	1.823.182
	4)	other assets	8.850.532	11.538.184
	5)	assets in progress and down payments	0	0
	TOTAL		9.513.118	13.403.660
III	FINANCIAL ASSETS:			
	1)	shareholdings in:		
		a) subsidiaries	6.790.795	6.790.795
		b) affiliates	0	0
		c) other companies	100.000	100.000
		TOTAL SHAREHOLDINGS	6.890.795	6.890.795
	2)	receivables:		
		due by the end of the following year		
		a) from subsidiaries		
		due by the end of the following year	0	11.099.775
		due after the following year	12.643.122	0
		b) from affiliates	0	0
		c) from parent companies		
		due by the end of the following year	0	0
		due after the following year	13.887.542	2.071.879
		d) from other entities		
		due by the end of the following year	0	0
		due after the following year	11.782.404	11.260.291
		TOTAL RECEIVABLES	38.313.068	24.431.945
	3)	Other securities	0	0
		TOTAL FINANCIAL ASSETS	45.203.863	31.322.740
TOTAL FIXED ASSETS (B)			**105.282.661**	**108.525.419**
(C)	**WORKING CAPITAL:**			
I	INVENTORIES:			
	1)	raw material, consumables and goods for resale	171.142	129.681
	4)	finished products and goods	0	167.127
	TOTAL INVENTORIES		171.142	296.808
II	RECEIVABLES:			
	1)	from customers		
	due by the end of the following year		70.673.639	47.817.035
	due after the following year		1.508.748	456.854
	2)	from subsidiaries		
	due by the end of the following year		486.105	722.448
	3)	from affiliates	0	0
	4)	from parent companies		
	due by the end of the following year		3.307.901	5.076.473
	4bis)	tax credits	1.571.139	1.145.455
	4ter)	deferred tax assets	21.149.230	21.886.362
	5)	from others		
	due by the end of the following year		26.287.875	28.453.411
	due after the following year		3.540	0
	4bis)	tax credits	0	0
	5)	from others		
	TOTAL RECEIVABLES		124.988.176	105.558.038
III	FINANCIAL ASSETS OTHER THAN LONG-TERM ASSETS		0	0
	6)		0	0
	TOTAL		0	0
IV	CASH ON HAND			
	1)	bank and postal deposits	42.834.389	34.616.752
	3)	cash in hand	913.829	194.252
	TOTAL		43.748.219	34.811.003
TOTAL WORKING CAPITAL (C)			**168.907.537**	**140.665.850**
D) PREPAYMENTS AND ACCRUED INCOME			**606.250**	**1.034.477**
TOTAL ASSETS			**274.796.449**	**250.225.746**

LIABILITIES			31/12/15	31/12/14
(A)	**SHAREHOLDERS' EQUITY**			
	I	SHARE CAPITAL	10.000.000	10.000.000
	II	SHARE PREMIUM RESERVE	17.670.000	17.670.000
	III	REVALUATION RESERVES		
		1) reserve pursuant to law no. 72 of 19/03/1983		
		2) reserve pursuant to law no. 413 of 30/12/1991		
		3) reserve pursuant to law no. 576 of 02/12/1975		
		TOTAL REVALUATION RESERVES	0	0
	IV	LEGAL RESERVE	1.766.044	1.398.881
	V	STATUTORY RESERVES		
	VI	REASURY SHARE RESERVE		
	VII	OTHER RESERVES	58.638.759	51.662.668
		1) extraordinary reserve		
		1) reserve from conversion		
		4) reserve as per art.44 TUIR		
		5) other reserves		
		TOTAL OTHER RESERVES	0	0
	VIII	EARNINGS/(LOSS) CARRIED FORWARD	(30.639.737)	(30.639.737)
	IX	PROFIT/ (LOSS) FOR THE YEAR	(6.409.783)	7.343.253
	TOTAL SHAREHOLDERS' EQUITY (A)		**51.025.283**	**57.435.065**
(B)	**PROVISIONS FOR RISKS AND CHARGES**			
		2) taxes, also deferred		
		3) other	2.702.490	1.757.061
		TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**2.702.490**	**1.757.061**
(C)	**POST- EMPLOYMENT BENEFITS**		**2.839.101**	**2.650.919**
(D)	**PAYABLES**			
		3) payables to shareholders for loans		
		due by the end of the following year	0	0
		due after the following year	0	44.602.601
		4) payables to banks		
		due by the end of the following year	2.267	8.410.741
		due after the following year	0	51.600.000
		6) down payments		
		due by the end of the following year	2.532.165	1.857.371
		due after the following year	0	0
		7) payables to suppliers		
		due by the end of the following year	10.496.169	9.026.104
		due after the following year	0	0
		9) payables to subsidiaries		
		due by the end of the following year	11.542.199	9.061.957
		due after the following year	9.000.000	12.000.000
		10) payables to affiliates	0	0
		due by the end of the following year		
		due after the following year		
		11) payables to parent companies		
		due by the end of the following year	375.279	1.411.271
		due after the following year	110.738.182	0
		12) tax payables		
		due by the end of the following year	28.634.672	24.083.411
		due after the following year	0	0
		13) payables to welfare and social security institutions		
		due by the end of the following year	420.351	595.722
		due after the following year	0	0
		14) other payables		
		due by the end of the following year	40.655.396	20.368.862
		due after the following year	3.811.633	5.337.958
TOTAL PAYABLES			**218.208.312**	**188.355.998**
(E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**		**21.262**	**26.702**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**274.796.449**	**250.225.746**
MEMORANDUM ACCOUNTS				
		GUARANTEES GIVEN BY THE COMPANY	**7.854.750**	**65.963.302**
		OTHER MEMORANDUM ACCOUNTS	**45.235.627**	**42.194.981**
TOTAL MEMORANDUM ACCOUNTS			**53.090.377**	**108.158.283**

Income Statement as of 31 December 2015

(in Euro)

				FISCAL YEAR 2015	FISCAL YEAR 2014
(A)	**VALUE OF PRODUCTION**				
	1)	revenues from sales and services		404.497.476	432.802.820
	4)	increases in fixed assets for internal constr. costs			
	2)	changes in inv.of work in progress, fin. and semi-fin. prod.			
	5)	other revenue and income		875.763	2.018.330
TOTAL VALUE OF PRODUCTION (A)				**405.373.239**	**434.821.150**
(B)	**COSTS OF PRODUCTION**				
	6)	for raw material, consumables and goods for resale		134.165	121.060
	7)	for services		340.839.390	364.902.618
	8)	for use of third-party assets		3.228.595	3.174.647
	9)	for personnel:			
		a)	salaries and wages	12.686.796	9.544.497
		b)	social security expenses	3.010.542	2.951.831
		c)	post-employment benefits	675.810	672.975
		e)	other costs	0	43
		TOTAL OTHER COSTS OF PERSONNEL		16.373.147	13.169.346
	10)	amortisation and depreciation			
		a)	amortisation of intangible assets	12.610.026	12.174.431
		b)	depreciation of tangible assets	5.092.039	4.173.923
		c)	other impairment of fixed assets	22.796	704.885
		d)	impairment of receivables	3.707.857	2.835.983
		TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWNS		21.432.718	19.889.221
	11)	change in inventories, raw material, consumables and goods for resale		(41.461)	28.328
	12)	provisions for risks		285.319	388.404
	13)	other provisions		820.020	390.010
	14)	sundry operating costs		14.990.347	14.623.726
TOTAL COSTS OF PRODUCTION (B)				**398.062.242**	**416.687.360**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)				**7.310.997**	**18.133.790**
(C)	**FINANCIAL INCOME AND EXPENSES**				
	15)	income from shareholdings:		0	0
		from affiliates			
		from other companies			
		tax credit			
		TOTAL		0	0
	16)	other financial income:			
		a)	from receivables recorded under fixed assets	1.241.897	867.161
		b)	from securities recorded under fixed assets	0	0
		c)	from securities in the working capital	0	0
		d)	other income not included above	79.957	201.565
			total	1.321.853	1.068.726
		TOTAL		1.321.853	1.068.726
	17)	interest and other financial expenses from:			
		a)	subsidiaries	(525.000)	(630.000)
		b)	affiliates	0	0
		c)	parent companies	(4.643.427)	(4.396.348)
		d)	other	(4.610.404)	(4.590.671)
		TOTAL		(9.778.831)	(9.617.020)
	17bis)	exchange rate gains and losses		6.332	1.430
		TOTAL		6.332	1.430
TOTAL C (15+16-17+ - 17 bis)				**(8.450.646)**	**(8.546.864)**
(D)	**IMPAIRMENT ON FINANCIAL ASSETS**				
	18)	write-ups		0	1.635.792
		b)	financial assets other than shareholdings		
	19)	write-downs		0	0
		a)	of shareholdings	0	0
TOTAL ADJUSTMENTS D (18-19)				**0**	**1.635.792**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**				
	20)	Extraordinary income **the gains of which are not recordable at line 5**		**84.728**	**1.143.844**
		TOTAL EXTRAORDINARY INCOME		84.728	1.143.844
	21)	extraordinary expenses the acc.effects of which are not recordable at line 14) and taxes **related to prior years:**		**(5.533.579)**	**(989.953)**
		TOTAL EXTRAORDINARY EXPENSES		(5.533.579)	(989.953)
TOTAL EXTRAORDINARY ITEMS (20+21)				**(5.448.851)**	**153.891**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)				**(6.588.500)**	**11.376.609**
	22)	Income taxes for financial year (current, deferred and paid in advance)			
	-	Current taxes		740.938	2.728.542
	-	Deferred tax assets and liabilities		(919.122)	1.305.976
	-	Income from adhesion to the tax consolidation regime		(533)	(1.163)
INCOME TAX				**(178.717)**	**4.033.356**
23)	**PROFIT/ (LOSS) FOR THE YEAR**			**(6.409.783)**	**7.343.253**

The Managing Director
Fabio Schiavolin

Cogetech Gaming srl
Registered office: Piazza Repubblica 32, Milan - Tax Code 09102971000 VAT No. 09102971000 - REA No.
Share Capital Euro 101,000 fully paid in Register of Companies in Milan

Financial statements prepared in accordance with national accounting standards

Cogetech Gaming srl
Balance Sheet as of 31 December 2015
(in Euro)

ASSETS			31/12/15	31/12/14
(A)	**SUBSCRIBED CAPITAL UNPAID**		**0**	**0**
(B)	**FIXED ASSETS:**			
I	INTANGIBLE ASSETS:			
	1)	formation and enlargement costs	25.448	41.947
	3)	industrial patent rights and use of intellectual property	8.384	34.212
	4)	concessions, licences, trademarks and similar rights	589.919	1.574.983
	5)	goodwill	4.270.544	4.880.622
	6)	assets in progress and down payments	0	0
	7)	other	46.160	188.516
	TOTAL		4.940.455	6.720.280
II	PROPERTY, PLANT AND EQUIPMENT:			
	1)	land and buildings	0	68.387
	2)	plant and machinery	62.404	261.179
	3)	industrial and commercial equipment	5.690	10.457
	4)	other assets	1.055.705	1.307.520
	5)	assets in progress and down payments	4.792	976
	TOTAL		1.128.591	1.648.519
III	FINANCIAL ASSETS:			
	1)	shareholdings in:		
		a) subsidiaries	0	0
		b) affiliates	0	0
		d) other companies	3.995	3.995
		TOTAL SHAREHOLDINGS	3.995	3.995
	2)	receivables:		
		a) from subsidiaries		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		b) from affiliates		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		c) from parent companies		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		d) from other entities		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
TOTAL FIXED ASSETS (B)			**6.073.040**	**8.372.794**
(C)	**WORKING CAPITAL:**			
I	INVENTORIES:			
	1)	raw material, consumables and goods for resale	7.927	3.482
	4)	finished products and goods	0	53.891
	TOTAL INVENTORIES		7.927	57.373
II	RECEIVABLES:			
		1) from customers		
		due by the end of the following year	1.985.300	1.973.975
		due after the following year	8.271	61.603
		TOTAL	1.993.571	2.035.578
		4) from parent companies		
		due by the end of the following year	5.319.328	5.319.268
		due after the following year	0	0
		TOTAL	5.319.328	5.319.268
		4bis) tax credit		
		due by the end of the following year	301.494	1.100.847
		due after the following year	0	0
		TOTAL	301.494	1.100.847
		4ter) deferred tax assets	809.890	1.121.110
		TOTAL	809.890	1.121.110
		5) from others		
		due by the end of the following year	1.355.223	1.868.617
		due after the following year	21.181	28.788
		TOTAL	1.376.404	1.897.405
	TOTAL RECEIVABLES		9.800.687	11.474.209
III	FINANCIAL ASSETS OTHER THAN LONG-TERM ASSETS		0	0
IV	CASH ON HAND			
	1)	bank and postal deposits	2.669.775	2.004.827
	3)	cash in hand	207	124.953
	TOTAL		2.669.982	2.129.780
	TOTAL WORKING CAPITAL (C)		**12.478.595**	**13.661.362**
D) PREPAYMENTS AND ACCRUED INCOME			**165.786**	**278.902**
TOTAL ASSETS			**18.717.422**	**22.313.058**

LIABILITIES			31/12/15	31/12/14
(A)	**SHAREHOLDERS' EQUITY**			
	I	SHARE CAPITAL	101.000	101.000
	II	SHARE PREMIUM RESERVE	0	0
	IV	LEGAL RESERVE	0	0
	VII	OTHER RESERVES	6.553.922	4.853.922
	VIII	EARNINGS/(LOSS) CARRIED FORWARD	(4.829.175)	(3.533.697)
	IX	PROFIT/ (LOSS) FOR THE YEAR	(19.940)	(1.295.478)
	TOTAL SHAREHOLDERS' EQUITY PERTAINING TO THE GROUP (A)		**1.805.808**	**125.747**
		to Third parties		
	X	THIRD-PARTY CAPITAL AND RESERVES	0	0
	XI	PROFIT/ (LOSS) FOR THE YEAR	0	0
	TOTAL THIRD-PARTY SHAREHOLDERS' EQUITY (A)		**0**	**0**
	TOTAL SHAREHOLDERS' EQUITY (A)		**1.805.808**	**125.747**
(B)	**PROVISIONS FOR RISKS AND CHARGES**			
		3) other	83.699	112.222
		TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**83.699**	**112.222**
(C)	**POST- EMPLOYMENT BENEFITS**		**35.685**	**330.499**
(D)	**PAYABLES**			
		4) to banks		
		due by the end of the following year	0	516
		due after the following year	0	0
		TOTAL	0	516
		5) to other lenders		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		6) down payments		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		7) to suppliers		
		due by the end of the following year	649.938	910.001
		due after the following year	0	0
		TOTAL	649.938	910.001
		9) to subsidiaries		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		10) to affiliates		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		11) to parent companies		
		due by the end of the following year	0	0
		due after the following year	0	0
		TOTAL	0	0
		12) tax payables		
		due by the end of the following year	394.471	1.567.623
		due after the following year	0	0
		TOTAL	394.471	1.567.623
		13) payables to welfare and social security institutions		
		due by the end of the following year	0	74.654
		due after the following year	0	0
		TOTAL	0	74.654
		14) other payables		
		due by the end of the following year	3.816.139	7.736.242
		due after the following year	11.782.404	11.260.291
		TOTAL	15.598.542	18.996.534
TOTAL PAYABLES			**16.642.951**	**21.549.327**
(E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**		**149.279**	**195.262**
TOTAL LIABILITIES			**18.717.422**	**22.313.058**
MEMORANDUM ACCOUNTS			**0**	**0**

Income Statement as of 31 December 2015

(in Euro)

				FISCAL YEAR 2015	FISCAL YEAR 2014
(A)	**VALUE OF PRODUCTION**				
	1)	revenues from sales and services		92.566.497	103.215.070
	5)	other revenues and income, with separate disclosure of capital grants		101.302	201.616
TOTAL VALUE OF PRODUCTION (A)				**92.667.799**	**103.416.686**
(B)	**COSTS OF PRODUCTION**				
	6)	for raw material, consumables and goods for resale		123.298	96.330
	7)	for services		88.414.261	97.443.999
	8)	for use of third-party assets		178.844	579.034
	9)	for personnel:			
		a)	salaries and wages	584.858	1.845.932
		b)	social security expenses	145.163	453.855
		c)	post-employment benefits	37.634	122.730
		e)	other costs	12.096	101.316
		TOTAL OTHER COSTS OF PERSONNEL		779.751	2.523.832
	10)	amortisation and depreciation			
		a)	amortisation of intangible assets	1.719.646	1.786.280
		b)	depreciation of tangible assets	633.728	982.789
		c)	other impairment of fixed assets	59.415	315.999
		d)	write-down of receivables in Assets capital and cash on hand	563.829	552.678
		TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWNS		2.976.618	3.637.746
	11)	change in inventories, raw material, consumables and goods for resale		(4.902)	13.191
	12)	provisions for risks		49.000	51.636
	13)	other provisions		0	0
	14)	sundry operating costs		150.091	139.965
TOTAL COSTS OF PRODUCTION (B)				**92.666.961**	**104.485.732**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)				**838**	**(1.069.046)**
(C)	**FINANCIAL INCOME AND EXPENSES**				
	15)	from equity investments in subsidiaries		0	0
	16)	other financial income:			
		a)	from receivables recorded under fixed assets	0	0
		b)	from securities recorded under fixed assets	0	0
		c)	from securities in the working capital	0	0
		d)	other income not included above	1.518	5.727
			TOTAL	1.518	5.727
	17)	interest and other financial expenses		(522.216)	(521.388)
	17bis)	exchange rate gains and (losses)		0	0
TOTAL C (15+16-17+ - 17 bis)				**(520.698)**	**(515.661)**
(D)	**IMPAIRMENT ON FINANCIAL ASSETS**				
	18)	value adjustments/write-ups		0	0
	19)	value adjustments/write-downs		0	0
TOTAL ADJUSTMENTS D (18-19)				**0**	**0**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**				
	20)	Extraordinary income		1.290.280	701.279
	21)	Extraordinary expenses		(373.909)	(416.518)
TOTAL EXTRAORDINARY ITEMS (20-21)				**916.371**	**284.761**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)				**396.511**	**(1.299.947)**
	22)	Income taxes for financial year (current, deferred and paid in advance)			
		Current taxes		113.129	71.860
		Deferred tax liabilities		0	0
		Deferred tax assets		303.321	252.823
		Income from tax consolidation		0	(329.152)
INCOME TAX				**416.451**	**(4.469)**
23)	**PROFIT/ (LOSS) FOR THE YEAR**			**(19.940)**	**(1.295.478)**
Profit (loss) for the year pertaining to Third Parties				0	0
Profit (loss) for the year pertaining to the Group					

The Managing Director
Fabio Schiavolin

Azzurro Gaming SpA
Registered office: Piazza Repubblica 32, Milan - Tax Code 06772260961 VAT No. 06772260961 - REA No. 1913472
Share Capital Euro 5,000,000 fully paid in Register of Companies in Milan

Financial statements prepared in accordance with national accounting standards

Azzurro Gaming SpA
Balance Sheet as of 31 December 2015
(in Euro)

ASSETS			**31/12/15**	**31/12/14**
(A)	**SUBSCRIBED CAPITAL UNPAID**		**0**	**0**
(B)	**FIXED ASSETS:**			
	I	INTANGIBLE ASSETS:	174.940	324.836
		(Amortisation and depreciation)	146.081	149.896
		(Write-downs)	0	0
		TOTAL	28.859	174.940
	II	PROPERTY, PLANT AND EQUIPMENT:	472.562	585.392
		(Amortisation and depreciation)	102.480	127.600
		(Write-downs)	0	0
		TOTAL	370.081	457.792
	III	FINANCIAL ASSETS:		
		Within 12 months	0	0
		After 12 months	0	0
		(Write-downs)	0	0
		TOTAL SHAREHOLDINGS	0	0
TOTAL FIXED ASSETS (B)			**398.941**	**632.732**
(C)	**WORKING CAPITAL:**			
	I	INVENTORIES:	0	0
	II	RECEIVABLES:		
		Within 12 months	14.652.960	12.251.125
		After 12 months	9.000.000	12.000.000
		TOTAL RECEIVABLES	23.652.960	24.251.125
	III	FINANCIAL ASSETS OTHER THAN LONG-TERM ASSETS	0	0
	IV	CASH ON HAND	1.082.594	2.320.881
	TOTAL WORKING CAPITAL (C)		**24.735.554**	**26.572.005**
D) PREPAYMENTS AND ACCRUED INCOME			**1.158**	**10.511**
TOTAL ASSETS			**25.135.653**	**27.215.248**

LIABILITIES			**31/12/15**	**31/12/14**
(A)	**SHAREHOLDERS' EQUITY**			
	I	SHARE CAPITAL	5.000.000	5.000.000
	IV	LEGAL RESERVE	215.953	43.765
	VII	OTHER RESERVES		
		Contributions to cover losses	509.917	509.917
		Other reserves	4.103.113	831.529
		Rounding to Euro units	0	0
		TOTAL OTHER RESERVES	4.613.030	1.341.446
	VIII	EARNINGS/(LOSS) CARRIED FORWARD	0	0
	IX	PROFIT/ (LOSS) FOR THE YEAR	1.905.274	3.443.773
	TOTAL SHAREHOLDERS' EQUITY (A)		**11.734.257**	**9.828.984**
(B)	**PROVISIONS FOR RISKS AND CHARGES**		**0**	**0**
(C)	**POST- EMPLOYMENT BENEFITS**		**0**	**22.380**
(D)	**PAYABLES**			
		Within 12 months	758.265	17.361.729
		After 12 months	12.643.122	0
TOTAL PAYABLES			**13.401.388**	**17.361.729**
(E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**		**8**	**2.157**
TOTAL LIABILITIES			**25.135.653**	**27.215.248**
MEMORANDUM ACCOUNTS			**0**	**0**

Income Statement as of 31 December 2015

(in Euro)

			FISCAL YEAR 2015	FISCAL YEAR 2014
(A)	**VALUE OF PRODUCTION**			
	1)	revenues from sales and services	3.034.734	3.081.211
	5)	other revenues and income, with separate disclosure of capital grants	21.848	32.770
TOTAL VALUE OF PRODUCTION (A)			**3.056.582**	**3.113.982**
(B)	**COSTS OF PRODUCTION**			
	6)	for raw material, consumables and goods for resale	6.769	11.546
	7)	for services	368.982	424.871
	8)	for use of third-party assets	160.832	155.508
	9)	for personnel:		
		a) salaries and wages	255.488	390.448
		b) social security expenses	81.379	124.462
		c) post-employment benefits	16.473	22.965
		e) other costs	1.320	0
		TOTAL OTHER COSTS OF PERSONNEL	354.660	537.875
	10)	amortisation and depreciation		
		a) amortisation of intangible assets	146.081	149.896
		b) depreciation of tangible assets	102.480	127.600
		c) other impairment of fixed assets	0	0
		d) write-down of receivables in Assets capital and cash on hand	0	0
		TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWNS	248.561	277.496
	11)	change in inventories, raw material, consumables and goods for resale	0	2.938
	12)	provisions for risks	0	0
	13)	other provisions	0	0
	14)	sundry operating costs	99.606	91.853
TOTAL COSTS OF PRODUCTION (B)			**1.239.410**	**1.502.085**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)			**1.817.172**	**1.611.896**
(C)	**FINANCIAL INCOME AND EXPENSES**			
	15)	from equity investments in subsidiaries	0	0
	16)	other financial income:		
		a) from receivables recorded under fixed assets	0	0
		b) from securities recorded under fixed assets	0	0
		c) from securities in the working capital	0	0
		d) other income not included above	525.519	630.388
		total	525.519	630.388
	17)	interest and other financial expenses from:		
		a) subsidiaries	0	0
		b) affiliates	0	0
		c) parent companies	(429.782)	(280.737)
		d) other	(79.910)	(246.608)
		TOTAL	(509.692)	(527.345)
	17bis)	exchange rate gains and losses	0	0
TOTAL C (15+16-17+ - 17 bis)			**15.827**	**103.044**
(D)	**IMPAIRMENT ON FINANCIAL ASSETS**			
	18)	value adjustments/write-ups	0	0
	19)	value adjustments/write-downs	0	0
TOTAL ADJUSTMENTS D (18-19)			**0**	**0**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**			
	20)	Extraordinary income	1.045.984	0
	21)	Extraordinary expenses	(260.871)	(468)
TOTAL EXTRAORDINARY ITEMS (20-21)			**785.113**	**(468)**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)			**2.618.113**	**1.714.472**
	22)	Income taxes for financial year (current, deferred and paid in advance)		
	a)	Current taxes	98.140	79.665
	b)	Deferred tax assets and liabilities	614.699	(1.808.966)
		Income from adhesion to the tax consolidation regime	0	0
		INCOME TAX	712.839	(1.729.301)
23)	**PROFIT/ (LOSS) FOR THE YEAR**		**1.905.274**	**3.443.773**

The Managing Director
Fabio Schiavolin

Summary of essential data from last available financial statements of the affiliates

Financial statements prepared in accordance with national accounting standards

(in Euro)

	DIRECT SHAREHOLDINGS							
	Connext Srl in liquidation		**Alfea S.p.A.**		**Hippogroup Roma Capannelle S.p.A.**		**Solar S.A.**	
% shareholding	**25%**	**25%**	**30,70%**	**30,70%**	**27,78%**	**27,78%**	**30%**	**30%**
	2014	**2013**	**2015**	**2014**	**2014**	**2013**	**2011**	**2010**
Assets								
Receivables from Shareholders								
Intangible assets	96.428	129.791	115.443	121.646	650.015	635.344		
Property, plant and equipment	19.853	34.155	1.513.042	1.645.665	4.330.539	3.969.777		
Financial assets	10.747	11.212	107.680	87.680	1.709.858	1.709.858		
Cash on hand	2.066	3.731	2.035.715	1.031.978	488.851	534.660	211.584	255.531
Financial receivables			2.985.396	2.056.081			20.497	45.160.217
Trade and miscellaneous receivables	242.694	242.460	511.161	1.658.679	10.542.386	9.302.319		
Other asset items	194.475	225.834	686.283	1.063.785	44.817	89.731	-	-
Total Assets	**566.263**	**647.183**	**7.954.720**	**7.665.514**	**17.766.466**	**16.241.689**	**232.081**	**45.415.748**
Capital and Liabilities								
Share Capital	81.600	81.600	1.006.263	996.300	944.520	944.520	31.000	31.000
Profit/(loss) for the period	- 23.555	- 50.478	247.187	199.371	- 203.123	- 2.133.320	- 206.080	39.784
Earnings/(loss) carried forward	-	-	-	-	- 4.617.292	- 2.483.972	183.237	143.453
Other reserves	119.048	169.525	3.484.043	3.290.849	7.593.455	7.593.455	3.100	3.100
Total Shareholders' Equity	**177.093**	**200.647**	**4.737.493**	**4.486.520**	**3.717.560**	**3.920.683**	**11.257**	**217.337**
Post-employment benefit provision	111.875	115.895	509.150	565.860	1.067.187	1.053.233	-	-
Provisions for risks and charges			1.115.521	1.117.360	1.575.667	1.575.667	97.641	101.999
Financial payables falling due within one year							123.183	45.058.317
Trade and miscellaneous payables	256.109	299.025	634.800	404.331	11.184.342	9.391.956	-	-
Other liabilities items	21.186	31.616	957.756	1.091.443	221.710	300.150	-	38.095
Total Shareholders' Equity and Liabilities	**566.263**	**647.183**	**7.954.720**	**7.665.514**	**17.766.466**	**16.241.689**	**232.081**	**45.415.748**
Revenues								
Sales and services	721.787	731.920	2.983.718	3.227.994	8.615.458	6.811.113	-	-
Financial income	41	15	72.334	83.912	334	4.887	1.669.367	6.594.161
Other income	2.063	47.652	921.969	195.280	724.477	1.554.804	101.519	78.091
Losses for year	23.555	50.478	-	-	203.123	2.133.320	206.080	
Total Revenues	**747.446**	**830.065**	**3.978.021**	**3.507.186**	**9.543.392**	**10.504.124**	**1.976.966**	**6.672.252**
Costs								
Purchases and services	421.372	465.798	1.868.097	1.633.999	5.603.496	4.799.656	-	-
Costs of labour	249.601	304.405	1.051.709	888.586	2.777.663	2.448.478	-	-
Financial expenses and write-down of shareholdings	5.916	6.761	2.770	10.468	161.078	65.267	1.499.405	6.345.325
Tax payables	11.772	1.426	250.991	162.233	19.549	28.918	4.743	15.707
Amortisation and depreciation	49.035	44.850	434.281	285.158	362.277	1.227.565	-	-
Other costs	9.750	6.825	122.986	327.371	619.329	1.934.240	472.818	271.436
Profit for the year			247.187	199.371				39.784
Total Costs	**747.446**	**830.065**	**3.978.021**	**3.507.186**	**9.543.392**	**10.504.124**	**1.976.966**	**6.672.252**

NOTES :

1) The data for Connext S.r.l. relate to 31/12/2014, the last available and approved financial statements.

2) The data for Alfea S.p.A. relate to 31/12/2015, the last available and approved financial statements.

3) The data for Hippogroup Roma Capannelle S.p.A. relate to 31/12/2014, the last available and approved financial statements.

4) The data for Solar S.A. relate to 31/12/2011, the last available financial statements.

GRUPPO SNAI