Reports and Financial Statements as at 31 December 2014

DIRECTORS' REPORT ON THE COMPANY AND THE GROUP

SNAI S.p.A.
Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro 60,748,992.20 fully paid in
Tax Code 00754850154 - VAT no. 01729640464
Register of Companies in Lucca and Lucca REA no. 00754850154

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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 and Managing Director	**Giorgio Sandi**
Directors	**Stefano Campoccia** */***
	Mara Caverni */***
	Giorgio Drago
	Nicola Iorio
	Enrico Orsenigo
	Massimo Perona
	Roberto Ruozi **
	Sergio Ungaro */**/***
	Mauro Pisapia
	Barbara Poggiali **
	Chiara Palmieri
	Tommaso Colzi
	Marcello Agnoli ****

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)

Chairman	**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.

**	Members of the Control and Risk Committee chaired by Stefano Campoccia.*
***	Members of the Compensation Committee chaired by Sergio Ungaro.*
****	Members of the Related Parties Committee chaired by Sergio Ungaro.*
***** Co-opted on 13 October 2014 by the Board of Directors to replace the resigning Gabriele Del Torchio, in office until the next Shareholders' Meeting.*

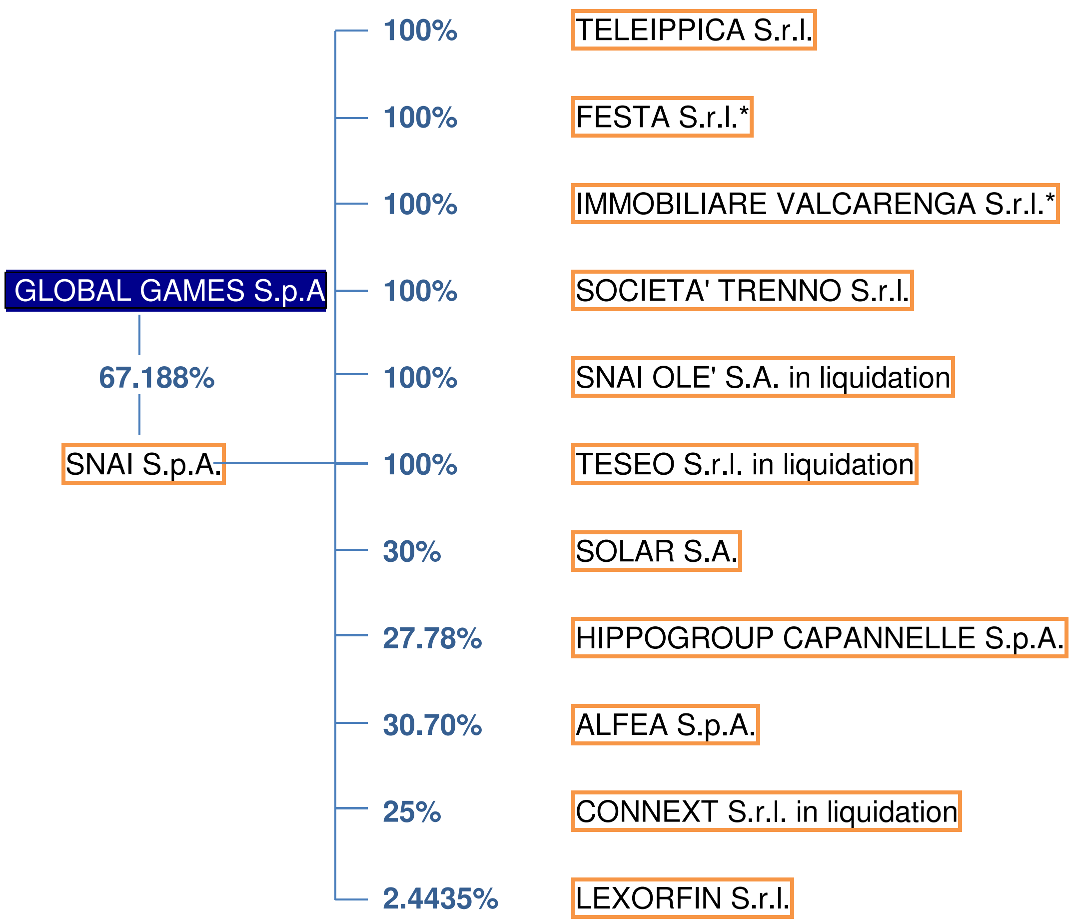
DIRECTORS' REPORT ON THE COMPANY AND THE GROUP

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 equally owned by Global Entertainment S.A. (in turn controlled by Investindustrial IV L.P) and Global Win S.r.l. (controlled by Venice European Investment Capital S.p.A.) - which owns 67.188% of the share capital of SNAI S.p.A..

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 autonomy.



* 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., held by a sole quotaholder, and Immobiliare Valcarenga S.r.l., held by a sole quotaholder. The merger became effective on 1 January 2015. Also accounting and tax effects became effective on that date.

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 in conjunction with them.

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 2014:

- the payout on sports bets (the percentage of players' winnings) was 79.1%, lower on the average than that of other operators and on average over last years (expect for 2012, which was the highest in the recent history of the Italian market);
- betting on Virtual Events are now fully operating, with excellent results in terms of wagers and margins, the on-line and live betting services were remarkably enlarged and wagers started on the complementary betting schedule;
- the scheduled plan to move approx. 1,000 VLTs in better performing premises was completed and the additional step to move further 450 machines was started;
- actions aimed at achieving cost-optimisation continued.

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	*2014*	*2013*	*€*	*%*
Revenues	527,481	478,763	48,718	10.2
EBITDA	105,877	92,588	13,289	14.4
EBITDA Adj	111,470	97,564	13,906	14.3
EBIT	34,910	(41,801)	76,711	>100
Profit/(loss) before taxes	(24,034)	(100,915)	76,881	76.2
Net profit (loss)	(26,082)	(94,530)	68,448	72.4
Diluted earnings/(loss) per share	(0.22)	(0.81)	0.59	72.4

- **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 requirements 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 sector 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 statement of comprehensive income.

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

EBITDA

	Year		*Change*	
amounts in thousands of Euro	*2014*	*2013*	*€*	*%*
EBIT	34,910	(41,801)	76,711	>100
+ Depreciation of Tangible assets	17,517	19,384	(1,867)	(9.6)
+ Amortisation of Intangible assets	41,034	34,955	6,079	17.4
+ Net losses of value	118	528	(410)	(77.7)
+ Other allocations	72	2,039	(1,967)	(96.5)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**93,651**	**15,105**	**78,546**	**>100**
+ Non-recurring costs	12,226	77,483	(65,257)	(84.2)
EBITDA	**105,877**	**92,588**	**13,289**	**14.4**
+ Current portion of the provision for doubtful debts	5,593	4,976	617	12.4
EBITDA Adj	**111,470**	**97,564**	**13,906**	**14.3**

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	*2014*	*2013*	*€*	*%*
EBIT	34,910	(41,801)	76,711	>100
+ Earnings of companies consolidated using the equity method	(548)	(398)	(150)	(37.7)
+ Financial income	1,740	1,261	479	38.0
+ Financial expenses	(60,124)	(59,977)	(147)	(0.2)
+ Net gains (losses) on exchange rates	(12)	0	(12)	>100
Profit/(loss) before taxes	**(24,034)**	**(100,915)**	**76,881**	**76.2**

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 2014	Year 2014
Non-recurring revenues and costs		
Costs related to non-recurring consultancies	205	205
Administrative Sanctions for PREU	280	280
Capital losses from scrapping	1,189	1,189
Current portion of the provision for doubtful debts	10,100	10,100
Leaving incentives	26	267
Other	185	185
Impact on EBITDA	**11,985**	**12,226**
Provision for disputes with employees	716	716
Impact on the profit (loss) before taxes	**12,701**	**12,942**

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

The charging of non-recurring costs borne in 2014 to income statement is mainly due to the allocation to the provision for doubtful debts connected to two specific issues, the disposal of furniture and fixtures no longer usable, and the early retirement for some employees, in addition to administrative sanctions related to previous years. The total of non-recurring revenues and costs impacts upon consolidated EBITDA for a total amount of Euro 12.2 million, and the profit (loss) before taxes of Euro 12.9 million, as better indicated in the table.

B.3 Investments

The SNAI Group has made the following investments:

a. Tangible assets in a total amount of Euro 10,844 thousand, broken down as follows:

	€ /000
land and buildings	1,061
plant and machinery	8,165
industrial and commercial equipment	125
other assets	704
assets in progress and down payments	789

b. Intangible assets in a total amount of Euro 7,746 thousand, broken down as follows:

	€ /000
patents and copyrights	1,989
concessions, licenses and the like	2,423
other	3,294
assets in progress	40

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

Group revenues increased by approximately 10.2%, from Euro 478.8 million in 2013 to Euro 527.5 million in 2014, mainly on account of the combined effect of the increase in revenues from VLTs and the introduction of betting on virtual events launched in December 2013, partially offset by the decrease in revenues from horse racing bets. The revenues from the sports bets have decreased compared with last year due to the payout performance of 79.1% as opposed to 78.9% in the first half of 2013, in addition to the lower amount of wagers.
Revenues from VLTs increased thanks to the higher average number of machines installed, as a consequence of the roll out completion at end 2013. At the end of December, there were 4,950 certified machines nationwide. The remaining rights are being reallocated, as provided by the second step of the plan. However, the performance was lower than expectations due both to the delay in the availability of the reduced pay out games, and the updating activities requested by ADM.
As stated above, the betting on virtual events had a significant impact, generating during the period a direct collection of Euro 342.2 million and revenues of Euro 44.2 million.
Group EBITDA gained +14.4% compared to the previous year, from Euro 92.6 million in 2013 to Euro 105.9 million in 2014.
The non-recurring costs amounted to Euro 12.2 million in 2014 as compared to Euro 77.5 million in the previous year.

The Group's EBIT for 2014 was Euro 34.9 million as compared to the negative Euro 41.8 million in the previous year.

The Group's profit (loss) before taxes for 2014 was Euro -24 million as compared to Euro -100.9 million in the previous year.

The net loss pertaining to the Group for 2014 was equal to Euro 26.1 million, as compared to a loss of Euro 94.5 million in 2013.

The net financial indebtedness of the SNAI Group as at 31 December 2014 was equal to Euro 419.1 million, as compared to Euro 443.4 million at the end of 2013. The decrease by Euro 24.3 million is mainly due to the favourable performance of ordinary operations.

The parent company SNAI S.p.A. generated revenues of Euro 513 million, up by 10.2% compared to Euro 465.7 million in 2013. EBITDA (as defined in the EBITDA table, par. B.1) is equal to Euro 104.1 million (Euro 94.4 million in 2013), while EBIT is positive by Euro 35.1 million (negative by Euro 34.5 million in 2013). The result for the year is negative by Euro 27.9 million (Euro -94.3 million in 2013) to be attributed 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 at 31 December 2013 was equal to Euro 423.1 million, as compared to Euro 438.2 million at the end of 2013. The decrease by Euro 15.1 million is mainly due to the favourable performance of ordinary operations.

B.5 Company's Balance Sheet and Income Statement

SNAI S.p.A. - Comprehensive Income Statement

amounts in thousands of Euro	**Year 2014**	**Year 2013**
Revenues from sales and services	511,159	463,356
Other revenues and income	1,804	2,338
Change in inventory of finished and semi-finished products	0	107
Raw materials and consumables	(712)	(816)
Costs for services and use of third party assets	(355,688)	(321,778)
Costs of personnel	(26,572)	(24,656)
Other operating costs	(39,371)	(99,767)
Capitalised internal construction costs	1,539	1,337
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**92,159**	**20,121**
Amortisation, depreciation and write-downs	(56,912)	(52,979)
Other provisions	(186)	(1,619)
Earnings before interest and taxes	**35,061**	**(34,477)**
Gains and expenses from shareholdings	(3,050)	(6,100)
Financial income	2,274	1,687
Financial expenses	(60,202)	(59,959)
Total financial income and expenses	**(60,978)**	**(64,372)**
PROFIT/(LOSS) BEFORE TAXES	**(25,917)**	**(98,849)**
Income tax	(1,973)	4,513
Profit/(loss) for the year	**(27,890)**	**(94,336)**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	(145)	63
Other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**(145)**	**63**
Net (loss)/profit from derivatives as cash flow hedges	2,124	2,572
Other comprehensive income which will be restated under profit/(loss) for the year after taxes	**2,124**	**2,572**
Profit/(loss) in comprehensive income statement, after taxes	**1,979**	**2,635**
Total profit (loss) for the year	**(25,911)**	**(91,701)**

SNAI S.p.A. - Balance Sheet

amounts in thousands of Euro	31.12.2014	31.12.2013
ASSETS		
Non-current assets		
Property, plant and equipment owned	133,585	135,810
Assets held under financial lease	3,781	9,396
Total property, plant and equipment	**137,366**	**145,206**
Goodwill	231,088	231,088
Other intangible assets	102,655	135,051
Total intangible assets	**333,743**	**366,139**
Shareholdings in subsidiaries & affiliates	18,656	16,705
Shareholdings in other companies	46	46
Total shareholdings	**18,702**	**16,751**
Deferred tax assets	78,409	73,471
Other non-financial assets	1,776	2,204
Non-current financial assets	1,244	0
Total non-current assets	**571,240**	**603,771**
Current assets		
Inventories	456	1,303
Trade receivables	47,669	60,656
Other assets	26,505	27,805
Current financial assets	22,277	27,162
Cash and cash equivalents	66,922	43,860
Total current assets	**163,829**	**160,786**
TOTAL ASSETS	**735,069**	**764,557**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Share Capital	60,749	60,749
Reserves	12,865	105,223
Profit/(loss) for the year	(27,890)	(94,336)
Total Shareholders' Equity	**45,724**	**71,636**
Non-current liabilities		
Post-employment benefits	1,699	1,509
Non-current financial liabilities	464,769	481,388
Deferred tax liabilities	57,929	53,019
Provisions for risks and charges	10,811	16,113
Sundry payables and other non-current liabilities	2,326	3,611
Total non-current liabilities	**537,534**	**555,640**
Current liabilities		
Trade payables	29,600	35,112
Other liabilities	94,356	93,706
Current financial liabilities	8,303	8,463
Current portion of long-term borrowings	19,552	0
Total financial liabilities	**27,855**	**8,463**
Total current liabilities	**151,811**	**137,281**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**735,069**	**764,557**

SNAI S.p.A. - Cash Flow Statement

	amounts in thousands of Euro	31.12.2014	31.12.2013
A.	**CASH FLOW FROM OPERATIONS**		
	Profit/(loss) for the year	(27,890)	(94,336)
	Amortisation, depreciation and write-downs	56,912	52,979
	Write-downs and losses on shareholdings	3,049	6,100
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabi	(777)	(6,576)
	Change in provision for risks	(5,301)	(8,447)
	(Capital gains) capital losses from non-current assets (including shareholdings)	1,079	126
	Net change in sundry non-current trade assets and liabilities and other changes	(858)	1,616
	Net change in current trade assets and liabilities and other changes	10,271	26,560
	Net change in post-employment benefits	(12)	(47)
	CASH FLOW FROM (USED IN) FROM OPERATIONS (A)	**36,473**	**(22,025)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investments in property, plant and equipment (-)	(10,150)	(17,616)
	Investments in intangible assets (-)	(7,725)	(18,862)
	Contributions to cover losses in shareholdings	(5,000)	(5,000)
	Liquidation of shareholdings	0	137
	Proceeds from the sale of tangible, intangible and other non-current assets	121	97
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)	**(22,754)**	**(41,244)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Change in financial receivables and other financial assets	3,641	(12,972)
	Change in financial liabilities	5,712	(20,525)
	Repayment of financing	0	(4,600)
	Opening/disbursement of loans	0	57,498
	Redemption of loans	0	(421,748)
	Entering of a bond loan	0	515,000
	Reimbursement of "Facility A" bonds	0	(15,000)
	Changes in debts to betting agencies deferred through purchase of "concession" business units	(10)	(113)
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	**9,343**	**97,540**
D.	**CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)**	**0**	**0**
E.	**TOTAL CASH FLOW (A+B+C+D)**	**23,062**	**34,271**
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	**43,860**	**9,589**
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)**	**66,922**	**43,860**

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 PERIOD, DETAILED AS FOLLOWS:		
Cash and cash equivalents	43,860	9,589
Bank overdrafts	0	0
Discontinued operations	0	0
	43,860	**9,589**
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
Cash and cash equivalents	66,922	43,860
Bank overdrafts	0	0
Discontinued operations	0	0
	66,922	**43,860**

SNAI S.p.A. - Net financial indebtedness

	(amounts in thousands of Euro)	31.12.2014	31.12.2013
A.	Cash on hand	155	173
B.	Other cash and cash equivalents	66,766	43,687
	- banks	66,440	43,679
	- postal accounts	326	8
C.	Securities held for trading	1	1
D.	**Liquidity (A)+(B)+(C)**	**66,922**	**43,861**
E.	Current financial receivables	2,615	7,754
	- financial current account with subsidiaries	2,615	7,748
	- escrow account	0	6
F.	Current bank debts	40	40
G.	Current portion of non-current indebtedness	19,552	0
H.	Other current financial payables:	8,263	8,423
	- for interest on bond loans	2,148	3,661
	- financial current account with subsidiaries	4,932	975
	- for acquisition of sports and horse-racing concessions	32	42
	- to other lenders	1,151	3,745
I	**Current financial indebtedness (F)+(G)+(H)**	**27,855**	**8,463**
J	**Net current financial indebtedness (I)-(E)-(D)**	**(41,682)**	**(43,152)**
K.	Non-current bank debts	0	0
L	Bonds issued	463,561	479,214
M.	Other non-current payables:	1,208	2,174
	- to other lenders	1,208	2,174
N.	**Non-current financial indebtedness (K)+(L)+(M)**	**464,769**	**481,388**
O	**Net financial indebtedness (J) + (N)**	**423,087**	**438,236**

B.6 Group Balance Sheet and Income Statement

SNAI Group - Comprehensive consolidated income statement

amounts in thousands of Euro	**Year 2014**	**Year 2013**
Revenues from sales and services	526,203	477,535
Other revenues and income	1,278	1,228
Change in inventory of finished and semi-finished products	0	107
Raw materials and consumables	(917)	(1,162)
Costs for services and use of third party assets	(358,015)	(324,470)
Costs of personnel	(35,969)	(36,891)
Other operating costs	(40,468)	(102,579)
Capitalised internal construction costs	1,539	1,337
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**93,651**	**15,105**
Amortisation, depreciation and write-downs	(58,669)	(54,867)
Other provisions	(72)	(2,039)
Earnings before interest and taxes	**34,910**	**(41,801)**
Gains and expenses from shareholdings	(548)	(398)
Financial income	1,742	1,267
Financial expenses	(60,138)	(59,983)
Total financial income and expenses	**(58,944)**	**(59,114)**
PROFIT/(LOSS) BEFORE TAXES	**(24,034)**	**(100,915)**
Income tax	(2,048)	6,385
Profit/(loss) for the year	**(26,082)**	**(94,530)**
(Loss)/profit from re-measurement on defined benefit plans after taxes	(288)	76
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**(288)**	**76**
Net (loss)/profit from derivatives as cash flow hedges	2,124	2,572
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	**2,124**	**2,572**
Total profit/(loss) in comprehensive income statement, after taxes	**1,836**	**2,648**
Total profit (loss) for the year	**(24,246)**	**(91,882)**
Attributable to:		
Profit (loss) for the year pertaining to the Group	(26,082)	(94,530)
Profit (loss) for the year pertaining to Third Parties	0	0
Total profit (loss) for the year pertaining to the Group	(24,246)	(91,882)
Total profit (loss) for the year pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	(0.22)	(0.81)
Diluted earnings (loss) per share in Euro	(0.22)	(0.81)

SNAI Group - Consolidated balance sheet

amounts in thousands of Euro	**31.12.2014**	**31.12.2013**
ASSETS		
Non-current assets		
Property, plant and equipment owned	140,142	143,378
Assets held under financial lease	3,782	9,405
Total property, plant and equipment	**143,924**	**152,783**
Goodwill	231,531	231,531
Other intangible assets	102,857	135,292
Total intangible assets	**334,388**	**366,823**
Shareholdings measured using the equity method	2,318	2,866
Shareholdings in other companies	46	46
Total shareholdings	**2,364**	**2,912**
Deferred tax assets	80,004	75,086
Other non-financial assets	1,967	2,413
Financial Assets	1,244	0
Total non-current assets	**563,891**	**600,017**
Current assets		
Inventories	486	1,329
Trade receivables	58,486	75,604
Other assets	24,509	26,687
Current financial assets	19,663	19,414
Cash and cash equivalents	68,629	45,499
Total current assets	**171,773**	**168,533**
TOTAL ASSETS	**735,664**	**768,550**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity pertaining to the Group		
Share Capital	60,749	60,749
Reserves	13,434	106,128
Profit/(loss) for the year	(26,082)	(94,530)
Total Shareholders' Equity pertaining to the Group	**48,101**	**72,347**
Shareholders' Equity pertaining to minority interests		
Total Shareholders' Equity	**48,101**	**72,347**
Non-current liabilities		
Post-employment benefits	4,602	4,387
Non-current financial liabilities	464,769	481,388
Deferred tax liabilities	58,593	53,675
Provisions for risks and charges	10,838	16,617
Sundry payables and other non-current liabilities	2,336	3,623
Total non-current liabilities	**541,138**	**559,690**
Current liabilities		
Trade payables	32,385	37,539
Other liabilities	91,117	91,467
Current financial liabilities	3,371	7,507
Current portion of long-term borrowings	19,552	0
Total financial liabilities	**22,923**	**7,507**
Total current liabilities	**146,425**	**136,513**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**735,664**	**768,550**

SNAI Group - Consolidated Cash Flow Statement

	amounts in thousands of Euro	**31.12.2014**	**31.12.2013**
A.	**CASH FLOW FROM OPERATIONS**		
	Profit (loss) for the year pertaining to the Group	(26,082)	(94,530)
	Profit (loss) for the year pertaining to Third Parties	0	0
	Amortisation, depreciation and write-downs	58,669	54,867
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	(695)	(6,686)
	Change in provision for risks	(5,779)	(8,519)
	(Capital gains) capital losses from non-current assets (including shareholdings)	1,085	86
	Portion of earnings pertaining to shareholdings measured using the equity method (-)	548	398
	Net change in sundry non-current trade assets and liabilities and other changes	(841)	1,600
	Net change in current trade assets and liabilities and other changes	14,635	24,926
	Net change in post-employment benefits	(182)	(698)
	CASH FLOW FROM (USED IN) OPERATIONS (A)	**41,358**	**(28,556)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investments in property, plant and equipment (-)	(10,844)	(20,780)
	Investments in intangible assets (-)	(7,746)	(19,028)
	Proceeds from the sale of tangible, intangible and other non-current assets	130	207
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)	(18,460)	(39,601)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Change in financial receivables and other financial assets	(1,493)	(9,165)
	Change in financial liabilities	1,735	(19,226)
	Repayment of financing	0	(4,600)
	Opening/disbursement of loans	0	57,498
	Redemption of loans	0	(42,1748)
	Issue of bond loans	0	515,000
	Repayment of bond loans	0	(15,000)
	Changes in debts to betting agencies deferred through purchase of "concession" business units	(10)	(113)
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	232	102,646
D.	**CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)**		
E.	**TOTAL CASH FLOW (A+B+C+D)**	23,130	34,489
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	45,499	11.010
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**		
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**	**68,629**	**45,499**

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	45,499	11,010
Bank overdrafts		
Discontinued operations		
	45,499	**11,010**
CASH AND CASH EQUIVALENTS LESS 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**

SNAI Group - Net financial indebtedness

thousands of Euro	31.12.2014	31.12.2013
A. Cash on hand	203	206
B. Other cash and cash equivalents	68,426	45,293
bank accounts	*68,100*	*45,284*
postal accounts	*326*	*9*
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	**68,630**	**45,500**
E. Current financial receivables	**0**	**6**
- escrow account	0	6
F. Current bank debts	40	40
G. Current portion of non-current indebtedness	19,552	0
H. Other current financial payables	3,331	7,467
- for interest on bond loans	2,148	3,661
- for acquisition of sports and horse racing concessions	32	42
- to other lenders	1,151	3,764
I. Current financial indebtedness (F) + (G) + (H)	**22,923**	**7,507**
J. Net current financial indebtedness (I) - (E) -(D)	**(45,707)**	**(37,999)**
K. Non-current bank debts	0	0
L. Bonds issued	463,561	479,214
M. Other non-current payables	1,208	2,174
- to other lenders	1,208	2,174
N. Non-current financial indebtedness (K) +(L) + (M)	**464,769**	**481,388**
O. Net financial indebtedness (J) + (N)	**419,062**	**443,389**

B.7 Covenants

As with other similar loans, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 27 of the notes to the consolidated financial statements, envisage 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 prohibition to distribute dividends before the due term of “Facility B” bonds and subsequent restrictions 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 and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total amount of Euro 30 million (for more information see Note 27 of the notes to the consolidated financial statements).
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.

SNAI S.p.A. 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 financial indebtedness.

It is noted that, as at 31 December 2014, the Group was compliant with commitments and covenants.

B.8 Reconciliation of the result for the year ended 31 December 2014 and the shareholders' equity of the group with analogous amounts for the parent company

	Profit (loss) for the year		Shareholders' equity	
thousands of Euro	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Financial Statements SNAI S.p.A.	**(27,890)**	**(94,336)**	**45,724**	**71,636**
Excesses in net assets, including the results of operation with respect to the figures related to the consolidated companies	(800)	(6,002)	(9,524)	(8,582)
- dividends distributed during the year				
Valuation of shareholdings in affiliates using the equity method including:				
- profit for year	(549)	(398)	250	799
- dividends distributed during the year				
Cancellation depreciation/appreciation of shareholdings	3,049	6,087	11,159	8,110
Cancellation of write-down of intercompany receivables	47	43	840	793
Other adjustments	61	76	(348)	(409)
Total pertaining to the Group	**(26,082)**	**(94,530)**	**48,101**	**72,347**
Portion pertaining to the minority shareholders				
Total consolidated financial statements	**(26,082)**	**(94,530)**	**48,101**	**72,347**

C. SNAI's Market and performance

C.1 SNAI's performance in the operating context

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

In 2014, the Group's total wagers amounted to Euro 5,350 million. At product level, it is also worth noting the inception of betting on the complementary betting schedule in the physical channel and on-line as from July, the strong growth of offers on Live Betting on the physical channel and on-line starting from September, and the extension of the product portfolio onto the on-line channel.

The Company's activities 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 Legislative Decree 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 [Customs Agency] incorporated the AAMS and took on the new name of Agenzia delle Dogane e dei Monopoli, ADM [Customs and Monopoly Agency] through the European tenders that succeeded each other over time.

The betting acceptance network of the SNAI Points is the broadest network in the territory of Italy and is comprised of over 2,500 gaming points, of which approximately 2,000 with a direct gaming concession of the Company and the remaining ones with the supply of specialised services to the Company's Concession Holder clients. On this basis, the Company reaffirms its position as leader in the betting sector, with a market share in the year (in terms of gross wagers) of the SNAI brand of 39.4% for betting on Virtual events, 23.4% for sports betting and 48% for horse race betting.

The collections of the sports betting segment at the national level in 2014 reached Euro 4,250 million, down by 11.2% compared to 2013.

Horse racing bets were also down: totalisator national horse rating bets dropped by 16.1% compared to 2013, affected adversely by the general crisis that continues to affect the horse racing sector.

At end December 2013, betting was launched through the Virtual Events, which obtained an excellent result in 2014 with total wagers of Euro 1,148 million.

The Company has a consolidated position in managing gaming machines, with wagers of Euro 2,842 million in the year. During 2014, the AWPs and VLTs segment offered the customers a further enriched offering of games, thanks to the constant enlargement and renewal of the proposed games.
In 2014 the first new element in the betting area was the development of "live" bets, i.e. betting that can be made also during the event. Live betting also involved the widening of the offers related to the Complementary Betting Schedule, i.e. the extension of game offering to events that are not directly managed by Amministrazione delle Dogane e dei Monopoli (AdM).

In the third party on-line gaming services (GAD) segment, the market reported a growth in Casino games and a remarkable decrease in card games (poker) in both cash and tournament style games. To this purpose, SNAI set out a widening plan of the on-line Casino games offer aimed at achieving the market best practice.

In 2014, important initiatives were started aimed at reinforcing and improving the organization in terms of resources, but also of processes and procedures. This activity, which will be continued in 2015, involved the Sales, GAD, Marketing areas, as well as risk management and betting acceptance with the creation, amongst other, of a special Live Trading department.

The regular communication instruments with the gaming points network were improved and developed. They include the sending of communications on dedicated themes both for immediate information purposes as well as for in depth information on daily operating issues (launching of new bets, new technical functions, changes in regulations). A digital signage system was also developed to communicate with consumers within the Betting Shops.

The communication which is directed to its customers and final users is supported by external relations and press office activities focused mainly on the media and the mass consumer public; it was further enriched with publishing projects dedicated to the horse racing and sports betting segment, as well as the support to the dissemination of Remote Gaming and increasing the awareness of bettors insofar as legal and responsible gambling.

C.2 SNAI: Market shares

Figures in millions of Euro	*2014*		*2013*		*Delta*
Gaming or betting	**SNAI Brand**	**MS 2014***	**SNAI Brand**	**MS 2013***	**MS**
Snai Horse Race Betting	***246***	***49.82%***	***306***	***56.90%***	***-7.08%***
Totalisator bets	212		269		
Multiple reference bets	6		8		
Fixed quota bets	28		29		
Ippica Nazionale	***81***	***43.10%***	***130***	***47.10%***	***-4.00%***
HORSE RACE-BASED GAMING	**327**	***47.97%***	**436**	***53.60%***	***-5.63%***
QF sports betting	***986***	***23.40%***	***1,094***	***28.90%***	***-5.50%***
Pool betting for soccer	***4***	***10.96%***	***5***	***11.84%***	***-0.89%***
SPORTS-BASED GAMING	**990**	***23.29%***	**1,099**	***28.90%***	***-5.61%***
Betting on Virtual events	***452***	***39.37%***	***9***	***N.a.***	***N.a.***
AWPs + VLTs	**2,842**	***6.05%***	**2,828**	***5.90%***	***0.15%***
Remote skill games (skill games + on-line Bingo)	**739**	***5.95%***	**999**	***7.50%***	***-1.55%***
TOTAL SNAI	**5,350**	**8.31%**	**5,370**	**8.20%**	***0.11%***

Note:

The source of the SNAI information

*The QMs are calculations made by the Company using AAMS data.

C.2.1 Collection of wagers at SNAI betting acceptance points

In 2014, SNAI was leader in the betting sector (horse racing bets, sports bets and betting on Virtual events).

With a market share of 48%, SNAI is the undisputed leader in the horse race games segment, though the market is undergoing a very marked contraction domestically, due to the well-known problems of the sector.

For sports betting, the market share was 23.4%. The wagers in the sports betting market in 2014, increased by 11.2% compared to 2013, partly due to the concluded activation of approximately 1,000 new betting shops, which were opened as a result of the tender pursuant to art. 10 par. 9-octies of Law Decree no.16 of 2 March 2012, converted with amendments into Law no. 44 of 26 April 2012, to the Brazil World Cup, as well as to the growth in the on-line channel, also due to the entry of new operators and the enlargement of the offer to the public (Live betting and complementary betting schedule).

At end 2014, SNAI was leader in the segment of betting on Virtual events with a market share of 39.4%.

C.2.2 Horse race betting

Bets made on horse races at physical and virtual points bearing the SNAI brand (betting agencies, stores and corners and on-line) in 2014 amounted to Euro 327 million, lower than the 2013 figure (Euro 436 million).
An analysis of the collection of wagers on “national” horse races (winning, coupled, Tris, Quarté and Quinté, playable in both agencies and the Gaming Stores and Points) shown a result of the SNAI trademark equal to Euro 81 million (Euro 130 million in 2013) with a market share of 43.10%, while totalisator and fixed quota SNAI bets ("agency" horse race bets) cover 49.8% of the market, with Euro 246 million in revenue (Euro 306 million on 2013).

C.2.3 Betting on events other than horse races ("Sports-based Gaming")

Betting on events other than horse races is comprised of soccer games, tennis and basket matches and other Olympic sports, events related to motor racing (Formula 1, Motomondiale, Superbike), and other events (Miss Italia, Oscars, Sanremo Festival, television reality shows, etc.), as well as events proposed directly by concession holders (complementary betting schedule).
In this segment, SNAI wagers in 2014 were down by 9.9%, from Euro 1,099 million in 2013 to Euro 909 million in 2014. The market share is 23.3%, down by 5.6%, primarily due to the opening of around 950 new shops nationwide based on the 2013 tender.

C.2.4 Gaming Machines

In 2014, the Company strengthened its presence nationwide, its market share and its position among network concession holders.

As regards the VLT (Videolotteries) segment, the project aimed at distribution diversification and streamlining was carried on through the moving of 1,450 VLTs mainly in dedicated premises (arcades), which are known to be better performing.
A total number of 203 new premises were rented.
Always in view of maximising the margins of VLTs, the payout level was moved to the Spielo platform (3,000 units).
The aforesaid activity was carried out despite the new stricter local regulations on distances and timetables, which significantly limited the opening of new arcades and investment willingness of operators.

As regards the AWP (Amusement With Prize) segment, the year 2014 was characterised by the achievement of an important target in terms of growth in the number of machines installed (+ 1,645 AWPs compared to 2013).
The development of property machines, dedicated to selected SNAI Points, is being continued with the aim of improving both the quality of products and services offered and revenues, thus confirming the validity of the delocation model.
Moreover, the quality enhancement through the creation of a partnership with leader operators continued with the aim of improving the performance of premises, accelerating the development of the AWPs, increasing the competitiveness, guaranteeing the widest coverage and increasing the reliability of partners.

At the end of the period, in the AWP segment the Company had approximately 26,298 authorisations to operate (up by 7% compared to 31 December 2013) in 8,227 concerns throughout the country (up by 10.4% compared to 31 December 2013), and owns 5,052 licenses to operate through VLTs in which, at the end of the period under review, it installed 4,950 VLTs in 772 premises. The remaining VLTs of the 5,052 are currently in the roll-out phase to more successful premises.

Volumes of wagers in the ADI segment as at 31 December 2014, slightly improved compared to figures reported in the previous year, from Euro 2,828 million to Euro 2,842 million, with 6% growth in expenses, countering market trends (-1.7%).
Wagers related to AWPs reported a slight growth, compared to 2013 (Euro 1,447 million in 2014 vs. Euro 1,435 million in 2013). Margins of AWPs grew by 2%.
Wagers of VLTs were substantially unchanged compared to the previous year (Euro 1,395 million in 2014 vs. Euro 1,393 million in 2013). As regards the VLTs segment, the initiatives to reduce the pay-out of games on both platforms, although causing a physiological reduction in the growth of wagers, generated an increase in the contribution margin by 16%.

Total revenues of ADI Division (AWPs and VLTs), for 2014, amounted to Euro 278.5 million over Euro 251 million in 2013, up by 11% compared to the previous year. The Contribution Margin of the AWPs and VLTs segment amounted to Euro 64 million, compared to Euro 57.8 million in 2013, up by 10.6%.

C.2.5 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. SNAI offers several types 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 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 2014, the SNAI network collected Euro 452 million.

C.2.6 The digital area

In 2104, the Digital segment (Bingo, cash and tournament style card games, Casino games and On-line Slots) reported wagers of Euro 739 million compared to Euro 999 million in 2013. This decrease is primarily related to the decrease in poker, which was reported on the entire market.
The main activities regarded the increase in the offer of Casino games, especially in the on-line slots segment and in the development of the mobile channel.

D. MATERIAL EVENTS

D.1 Option for the purchase of shareholdings

On 8 January 2014, SNAI entered an option agreement for the purchase of 51% of the share capital of House Bet S.r.l., incorporated on 25 July 2013 to manage the gaming collection of entertainment machines installed in a games room. 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.

D.2 Shareholders' Meeting of 29 April 2014 - Resignation of a member of the Board of Directors and co-optation of a member of the Board of Directors

On 29 April 2014, the SNAI S.p.A. Shareholders' Meeting:

- approved the financial statements ending 31 December 2013, as well as loss coverage;
- appointed the new Board of Statutory Auditors for the three year period for 2014 to 2016 that will remain in office until the Shareholders' Meeting to be held for the approval of the financial statements for the year ended 31 December 2016;
- approved the proposal for the remuneration plan pursuant to article 114-bis of Legislative Decree 58/98 regarding a Remuneration Instrument for the Chairman and the Managing Director Giorgio Sandi, by virtue of his key position within the Company and fundamental role within the Company's development process. Further detail thereof is provided in Note 32 "Share based payments" in the notes to the consolidated financial statements.

Effective 1 June 2014, Mr. Gabriele Del Torchio resigned from his post as director and he has not yet been co-opted by another member of the Board of Directors. Mr. Del Torchio did not belong to any company committee and was not an independent Director.

On 13 October 2014, the Board of Directors of SNAI S.p.A. resolved on the appointment by co-optation, pursuant to Art. 2386 of the Italian Civil Code, of Mr. Marcello Agnoli as Director to replace the resigning Mr. Gabriele Del Torchio. Mr. Marcello Agnoli will remain in office until the next Shareholders' Meeting as independent director.

D.3 New binding offer to operator SIS S.r.l.

On 19 May 2014, SNAI S.p.A. submitted a new binding offer, valid and irrevocable until 20 October 2014, (the "**New Binding Offer**") to SIS - Società Italiana Scommesse S.r.l. ("SIS"), which provides, inter alia, subject to the fulfilment of certain conditions, including SIS's admission to the composition with creditors procedure with business continuity pursuant to Article 186-bis of the Bankruptcy Law, with measure against which no appeal can be made:

(i) the purchase of SIS of a NewCo controlled by SNAI pursuant to article 2359 of the Italian civil code. This company is organized in the country for the management of wagers on horse racing and/or sports based public games, the remote management of legal gambling through gaming machines (AWPs and VLTs), the collection of bets on simulations of events and the on-line operation of public games. The price for the purchase of SIS by the NewCo is set at Euro 7,000,000 (seven million/00) to be paid through the full and/or cumulative payment of a portion of SIS's unsecured debt in the exact amount corresponding to the price;
(ii) the conclusion of a non-competition clause with the individual shareholders of SIS in order to better protect the orderly development of the NewCo's operations at an overall amount of consideration of Euro 2,650,000.00 (two million six hundred and fifty thousand/00);
(iii) the proposal of employment to two managers of SIS in relation to the activities that they can offer to the NewCo.

The application for admission to the composition with creditors procedure with business continuity pursuant to Article 186-bis of the Bankruptcy Law was submitted by SIS at the Court of Rome on 23 May 2014.
The new Binding Offer was supplemented on 20 June 2014 with certain prerequirements and conditions.
On 3 July 2014 the Court of Rome declared the SIS proposal inadmissible and a hearing was set for 15 July 2014 with SIS, while the latter was given until 14 July 2014 to supplement the plan or produce documents.
At the hearing of 15 July 2014, following the discussion the Court of Rome has reserved its decision.
With order dated 18 July 2014, filed on 31 July 2014, the Court of Rome declared the proposal of composition with creditors, submitted by SIS on 23 May 2014, as "barred to further proceeding due to inadmissibility".
The Company, supported by its legal advisers, has formulated with SIS, inter alia, a possible debt restructuring agreement, pursuant to Art. 182-bis of the Bankruptcy Law, by possibly entering into its share capital prior to the acquisition of equity financial instruments.
Meanwhile, the Company received the news that the request for bankruptcy submitted by SIS had been rejected by the Prosecutor. SIS rejected SNAI's proposal and submitted an application for admission to the composition with creditors

procedure (not with business continuity and aimed to the company's transfer to third parties), complete with a statement of interest of Euro 5 million for the entire company.

SNAI therefore asked to be included in the proceeding at the pre-bankruptcy hearing by submitting an intervention supporting the statement related to SIS's bankruptcy and expressed by the Prosecutor and asking the removal of SIS's liquidators and the appointing of an administrator in the event that the agreement is declared as ineffective and/or rejected and, in any case, a statement of bankruptcy for SIS is not issued.

At the same time, SNAI lodged an appeal pursuant to Art. 78, par. 2 and 80 of the Code of Civil Procedure for the appointment of a special curator representing SIS by reason of the fact that there is a conflict of interests of the liquidators with respect to the Company. The Bankruptcy Judge suspended both the declaration of bankruptcy and the decision on appointing the administrator, as the decision on the application for admission to the composition with creditors procedure submitted by SIS is still pending (still to be evaluated).

With order dated 27 January 2015, the Court of Rome, upholding SNAI's appeal *inaudita altera parte*, appointed as special curator, Michele Corroppoli, lawyer in the Court of Rome.

At the hearing of 24 February 2015, fixed pursuant to Art. 162 of the Bankruptcy Law, the Judge reserved and we are awaiting to know his decision.

D.4 Appeal to the Tax Authorities

On 28 May 2014, the Tax Authorities accepted the appeal submitted by SNAI S.p.A. with regard to the deductibility for IRES purposes of the amounts paid for settlement of the dispute with the AAMS at the Court of Accounts, amounting to Euro 63,000 thousand.

D.5 Guaranteed minimums

It is worth noting that over the years 2007-2013, SNAI received from former AAMS (now ADM) a number of payment requests aimed at supplementing the guaranteed minimum amounts due to the lower transactions carried out by some horse racing and sports concessions over the 2006-2012 period.
SNAI firstly objected the 2006-2011 payment requests at the Lazio Regional Administrative Court (TAR) and then, with a second appeal, those related to 2012.
With rulings no. 7323/14 of 10 July 2014 and no. 8144/14 of 24 July 2014 - featuring the same content - the 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% (for further details, reference is made to Note 28 of the Explanatory Notes to the consolidated financial statements).

D.6 Merger by incorporation of the entirely controlled Festa S.r.l. held by a sole quotaholder, and Immobiliare Valcarenga S.r.l., held by a sole quotaholder, into SNAI S.p.A.

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., held by a sole quotaholder, and Immobiliare Valcarenga S.r.l., held by a sole quotaholder, 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. The merger has no impact on the Group consolidated financial statements.
As from the execution date of the merger, the shares representing the entire capital of each merged company were cancelled and SNAI S.p.A. issued no other shares. As a consequence, this transaction involved no change in the composition of shareholders and related control structure of SNAI S.p.A.

D.7 Transfer of shareholdings of corporations and transfer of trademarks and domain

On 23 September 2014, SNAI S.p.A. and SNAI Servizi S.r.l. entered an agreement, subjected to a condition precedent, with the aim of mutually transferring shareholdings as well as trademarks and a domain from SNAI Servizi S.r.l. to SNAI S.p.A.
The condition precedent was fulfilled in October and therefore SNAI S.p.A. became the owner of:
- the entire share capital of Teseo S.r.l., in liquidation;
- some trademarks recorded and the domain "www.snaiservizi.it".

SNAI S.p.A. also transferred to SNAI Servizi S.r.l. equal to 19.5% of the company's share capital, made up of 101,400 ordinary shares.

D.8 Research and development (2428 of the Italian Civil Code)

SNAI S.p.A. and the companies belonging to the Group carry out development of their core business operations in the sector of specialised hardware and software, for network connections and for the supply of services for the collection of bets. In the explanatory notes attached to the separate financial statements and the consolidated financial statements, the expenses incurred in connection with the initiatives already concluded are described in detail.

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

The capital, financial position and operating results of the SNAI Group are characterised by: (i) negative results, partly due to the effects of unforeseeable phenomena, 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, financial expenses.
In particular, with respect to the financial statements as at 31 December 2014, the Group reported a net loss of Euro 26.1 million and shareholders' equity decreased to Euro 48.1 million. Net financial indebtedness, equal to Euro 419.1 million, is mainly composed of bond loans issued and subscribed on 4 December 2013, to be repaid in 2018.
The Directors report that Earnings Before depreciation and amortisation, write-downs, financial income/expenses, taxes for the year were better than in the same period of the previous year and, in general, substantially in line with expectations, excluding some allocations on specific issues to the provision for doubtful debts which became necessary at year end. The differences compared to the forecast business performance stem from certain major factors: i) the excellent results of new bets on virtual events; ii) lower than expected revenues from sports betting, as a result of the lower wagers and a better payout, which reached 79.1%; iii) lower revenues and margins generated by the Gaming Machines segment, in which there was a delay in introducing games with reduced payouts; iv) the performance of the skill games, which was below expectations in terms of revenues.
The Directors prepared a strategic plan for 2014-2016 years (the "2014-2016 Plan" or the "Plan"), approved last 14 March 2014, whereby, at the end of the three-year period, revenues and margins will have grown significantly and a positive economic result will be achieved, whilst the consolidated Shareholders' Equity will be substantially unchanged with respect to 2013, there will be adequate operating cash flows to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Company is not likely to generate the necessary resources to entirely repay bond loans in 2018.
In the meeting of the BoD held on 12 March 2015, the Plan itself was recently updated to take account of the negative effects resulting from regulations introduced by the Stability Law approved in December 2014, the performance of the distribution network and further actions to support the business. The results achieved with the plan updating, however, do not differ significantly from the previously approved plan. Forecasts for 2015 were also supplemented to reflect the equity, economic and financial effects of the Barcrest transaction occurred in the first months of the new year (as better described in paragraph "Events after the end of the year").

Within this framework, with a reduced net equity, which limits the Company's ability to absorb further losses, and negative effects and uncertainties generated by the new rules set out by the Stability Law, the Company reacted with significant growth expectations in terms of wagers, which will affect revenues and margins, based on a number of initiatives. The latter include a strong increase in the Live and On Line offer, wider offers related to virtual events, also through the use of a high number of rights currently available, as well as the continuation of the reallocation plan of VLT terminals to better performing locations. Moreover, the company's performance should also benefit from the fact that the payout on sports betting was managed more effectively thanks to the combined effects of the new management agreement which better aligns SNAI's interests with those of the Operators, and of the improved automatic controls on the betting acceptance system, which have already helped to generate a better performance with respect to competitors.

The Plan, in its updated version as well, therefore defines a path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to: (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments, necessary to maintain the Company's Shareholders' Equity, (2) the Company's ability to obtain the necessary resources to repay and/or replace the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the occurrence of future events and the characteristics of the reference market, including the rumoured possibility of a significant increase in taxation in the Gaming Machines sector, which could negatively affect the actual implementation of the Plan, and therefore the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

While evaluating the uncertainties identified, Directors also considered that the impact on the Group of possible unfavourable deviations, which should occur with respect to estimates for 2015, might be more easily mitigated thanks to the positive effects of the Barcrest transaction. 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 possible deviations in performance that might affect future years and, in general, the achievement of an economic, equity and financial balance.

Lastly, Directors believe that, albeit in the presence of the foregoing uncertainties, the targets set out in the Plan are reasonable and the Company has the capacity to continue its business operations in the foreseeable future, and therefore have prepared the financial statements based on the going concern assumptions.

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 2014.

F.1 SNAI S.p.A.

As at 31 December 2014, 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 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 allow 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 FESTA S.r.l.

The company operates in the multimedia services and ICT (in-bound) sector, with a specialisation in contact centre activities: help desk, customer care, telemarketing and teleselling.
Festa S.r.l. also offers telephonic assistance services, IT and technical support for SNAI S.p.A.’s SNAI Points, whether operated directly or indirectly.

This company was established to cover administrative and technical needs originating from the external network of sales points.

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., held by a sole quotaholder, in application of the resolution on merger made by the competent bodies on 28 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.

The revenues for 2014 reached Euro 5,080 thousand (Euro 5,191 thousand in 2013). The revenues essentially originate from the consideration paid for the following services: remote game assistance, Help Desk (Acceptance Point) and the call centre paid by the parent company in the amount of Euro 4,394 thousand, other active contacts to third party clients of Euro 20 thousand and other services rendered to the parent company and other Group companies amounting to Euro 666 thousand.

The year ended with a profit before taxes of Euro 2,349 thousand (profit before taxes from operating assets of Euro 1,528 thousand in 2013). The net profit amounts to Euro 1,561 thousand (loss of Euro 1,118 thousand in 2013), after taxes amounting to a total of Euro 788 thousand. This result is after amortisation/depreciation of Euro 65 thousand (Euro 82 thousand the previous year) and allocations of Euro 113 thousand (Euro 420 thousand last year)

The cash flow generated by the business was Euro 2,151 thousand.

F.2.2 Società 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 entity formerly known as ASSI, a Public Entity headed by the Ministry for Agricultural and Forestry Policies, the company organizes the operation of the gallop training centre at Milano S. Siro and the collection, within the racetracks, of bets on horse races.

As part of a national program coordinated by the entity formerly known as ASSI, 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 from the former ASSI 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.).

It should be recalled that in the last quarter of 2012 the Company shut up the training centre of the Milan racetrack and then, as from 31 December the same year, informed the former ASSI in Temporary Management on its decision to suspend, for 2013, the races at the Milan gallop rotting racetrack, the operating costs of which were no longer justified by revenues. In 2014, according to the programme started in 2013, the Company continued to focus on the Milan Gallop Racetrack for its excellent characteristics, as well as to carry on the marketing plans with the aim of setting out a development programme aimed at enhancing the related structures, attracting the public towards horse races and give new importance to the racetrack within the city. Consistently with the aforesaid, the Company continued its promotional campaign on Grand Prix scheduled for the Spring and Fall seasons on gallop racetracks, with the aim of increasing visibility of these events, while involving prestigious brands. The effects of these actions resulted in increased revenues for entrance tickets and bets collected on site, compared to the previous year. To tackle the negative trend of revenues on betting, the Company continued, in 2014 as well, its cost-saving initiatives, such as the reduction of contract commitments with some suppliers and personnel costs. With the aim of limiting personnel costs also in 2014, as it happened in 2012 and 2013, the Company applied for temporary lay-off schemes through a trade union agreement. The reduction in personnel, also through incentives to leave, in future years will generate a further cost reduction, which will become structural. At the Sesana Racetrack in Montecatini Terme, after the dismissal of training activities, in 2013 races took place only in Summer, with the application of the “Private and Public” formula, and, by working with the local public administrations, the Company carried out a project involving the experimental reopening of the Sesana racetrack for the summer season. Given the results that are generally positive, the Company organised races also in 2014, starting in Summer and ending in December, with revenues from betting in line with the national negative trend, but increased revenues as regards the presence of public.

The revenues amount to a total of Euro 7,050 thousand (Euro 7,638 thousand in 2013) and the Company ends the year with a loss of Euro 2,876 thousand (Euro 6,042 thousand in 2013) after amortisation/depreciation of Euro 608 thousand (Euro 816 thousand in 2013).

F.2.3 Immobiliare Valcarenga S.r.l.

Also in 2014, the business operations continued in accordance with the traditional strategies for the support of horse race facilities in operation at Società Trenno S.r.l. by the instrumental lease of its properties.

On 24 November 2014, the merger deed was signed envisaging the incorporation into SNAI S.p.A. of the entirely controlled company Immobiliare Valcarenga S.r.l., in application of the resolution on merger made by the competent bodies on 28 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.

The financial statements for the year ended 31 December 2014 drawn up on the basis of the Italian accounting standards show a net profit of Euro 8 thousand (Euro 23 thousand in the previous year), after amortisation/depreciation of Euro 6 thousand (8 thousand in the previous year). The revenues amounted to Euro 36 thousand (Euro 89 thousand in 2013) of which Euro 8 thousand (Euro 59 thousand in 2013) were intercompany.

F.2.4 SNAI Olè S.A. in liquidation

On 19 November 2008, a company was established under the name SNAI Olè SA with registered offices in Madrid (Spain), calle Conde de Aranda 20 2° Izq, share capital of Euro 61,000, wholly-owned by SNAI S.p.A..

In 2014, the company did not engage in any business operations.

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 following write-off of the company. The company was written off from the Trade Register on 25 February 2015.

F.2.5 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 former ASSI. For the former ASSI, the company supplies additional services such as production of the UNIRE Blu channel. Starting in 2010, the company has also supplied Streaming and Video on Demand.

On behalf of SNAI S.p.A., the company supplies broadcasting services for the Sport Virtuali 1, 2 e 3 television channel (former SNAI TV) and the production of the audio channel Radio SNAI.

Over the year 2014, the Company implemented 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 that allow for

the rendering, from both O.U. (Rome and Tuscany), of services for MIPAAF (former ASSI), while permitting, in the event of disaster recovery, an almost nil RTO (Recovery Time Object), as envisaged in the agreement signed with ASSI.
As envisaged in the "additional agreement" to the new ASSI agreement (par. 8.1), the "Central Direction" function is currently performed at the headquarters in Porcari, while awaiting that the customer defines and makes available to the Company an office in Rome, or, in the negative, an agreement is reached for the rendering of services with various modalities. Always at the headquarters in Porcari (LU), the Company provided for the necessary equipment to supply SNAI S.p.A. with broadcast services related to bets on "Virtual Sports" (SV1,2 and 3).
As regards virtual events, in addition to the channel Sport Virtuali 1 (former Snai TV, already existing), other two channels, Sport Virtuali 2 and Sport Virtuali 3, are now available at all Betting Shops of the "Punto Snai" network. These are added to the audio channel "WEB Radio" (former Radio SNAI) and the coordination of SNAI's TV productions of Events.

The financial statements as at 31 December 2014 show a net profit of Euro 585 thousand (Euro 1,195 thousand the previous year) after amortisation/depreciation of Euro 1,083 thousand (Euro 951 thousand the previous year).

The cash flow generated by the business was Euro 4,360 thousand. The revenues amounted to Euro 12,163 thousand (Euro 11,764 thousand in 2013) of which Euro 3,011 thousand (Euro 2,367 thousand in 2013) were intercompany.

In 2014, 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 ASSI under Temporary Management (absorbed by MIPAAF) and the Agenzia delle Dogane e dei Monopoli Teleippica for the portion related to betting - see "2012 Spending Review"), pertaining to the new service for horse racing TV, and the "additional agreement", signed on 22 May 2013 (regarding the change of Regia Master's office). This agreement became effective on 29 May 2013, with a term of six years from the activation date. Moreover, services were also activated regarding the "Streaming Video" of issue 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 "agri-food channel", 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.

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 2013 showed a loss of Euro 2,133 thousand and shareholders' equity of Euro 3,921 thousand. The pre-closure estimates for 2014 concerning the company envisage a loss of approximately Euro 109 thousand.

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 2013 show a net loss of Euro 139 thousand (as compared to a net loss of Euro 543 thousand in 2012) and the pre-closure estimates for the company in 2014 provide for a loss before taxes of approximately Euro 192 thousand.

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 2013 showed a net loss of Euro 50 thousand (loss of Euro 3 thousand as at 31 December 2012) after amortisation/depreciation of Euro 45 thousand (Euro 38 thousand as at 31 December 2012). The value of production totals Euro 780 thousand (Euro 924 thousand as at 31 December 2013) and the costs of production are equal to Euro 822 thousand (Euro 903 thousand as at 31 December 2012), leaving a net margin (EBIT) of Euro -43 thousand (Euro 21 thousand as at 31 December 2012).

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 art. 154-ter of Legislative Decree 58/98, set forth below is a description of the Group's exposure to risks and uncertainties in year 2014. 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.

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

For further description of financial risks, please see the notes to the financial statements drafted pursuant to IFRS 7. In regard to 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 (“AAMS”). 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 AAMS concessions and a distribution network consisting of third parties.

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 my 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 operation entered into in November and December 2013 with the issue of bond loans and the entering of a revolving facility unused as at 31 December 2014.

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 on-line gaming and betting sector, controls or restrictions on cash and on-line 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 28 "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 2014 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 note to the separate financial statements, in paragraph 32, provides 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 and residual vis-à-vis related parties.

J. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

As at 31 December 2014, the SNAI Group employed 690 individuals, 16 persons less than 2013.
This increase is mainly due to the hiring of key personnel in the Parent Company's "core business" structures.

The staff is divided as follows:

SNAI Group	**31.12.2014**	**31.12.2013**
Executives	27	22
Office workers and middle managers	598	581
Blue-collar workers	65	71
Total Employees	**690***	**674****

* of whom 107 part-time and 22 on maternity leave
** of whom 103 part-time and 6 on maternity leave

There are 22 more employees working at the parent company, increasing from the initial 441 employees at the end of 2013 to 463 employees as at 31 December 2014.

SNAI S.p.A.	**31.12.2014**	**31.12.2013**
Executives	24	19
White Collar Employees and Mid-level Managers	433	415
Blue-collar workers	6	7
Total Employees	**463***	**441****

*	of which 60 part-time and 20 on maternity leave
**	of which 56 part-time and 5 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"; for personnel in directly managed social shops the parent company adopts the C.C.N.L. for Trade and the additional protocol for horse race agencies.
The operating company Festa S.r.l. applies the commerce C.C.N.L.. Teleippica S.r.l. applies the C.C.N.L. for private radio and television employees.
TRENNO S.r.l. which operates in the horse racing sector, applies the C.C.N.L. applicable to racing companies.
It is hereby reiterated 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 2428 OF THE ITALIAN CIVIL CODE

Pursuant to provisions set out by the Legislative Decree 81/2008 and similar, 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.

In 2014, most of the resources destined to training were allocated to courses on health and safety at the workplace. All managers were trained on their related tasks on this issue as they are in charge of supervising the behaviour of their directly subordinate persons. Employees had been informed on the procedures related to first aid, fire prevention regulations and evacuation of workplace.

Restructuring and requalification 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 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

Business outlook

The Group's strategic objective is to maintain its leadership position on the betting market, including through new instruments offered by mobile operating technological platforms, besides a strengthening of the "Live" and "on-line" offering, and to increase the market share in the Gaming Machines sector. The Group is equipped with the resources, in terms of capital and know-how, that are necessary to achieve such objectives.

In 2014, the Group established in the country 50 new points of sale following the awarding of additional rights acquired in 2013. After completion of the installation of the 5,052 VLT rights in 2013, the Group began the process of reallocating these to more performing points of sale. Following the launch of the virtual events, which took place at the end of 2013, the Group is further developing its own infrastructure at the points of sale. Furthermore it is continuing its monitoring activity of risks in order to consolidate the payout performances on sports bets.

As mentioned above, in 2014 around 1,450 VLT terminals were moved to better performing locations (mainly arcades), which were able to generate a higher average coin-in per machine. This allowed us to improve our performance in the sector, despite the lacklustre performance of the sector overall.
The effects of this plan will be continued over 2015, together with the expected move of further 500 VLTs to better performing premises.
The management of the sports betting payouts has been enhanced both through the upgrading of automatic controls upon acceptance, but also on account of the effects of the new operating contract that contributes to a better alignment of SNAI interests with those of the distribution network. These actions will be carried on also in 2015.
The high potential of Virtual Events, launched in December 2013, and the relevant market share obtained, will give further support to the expansion of the distribution network.
The Group also intends to develop the AWP sector further through the availability of new state-of-the-art machines, whether owned or belonging to third parties.

Progress of the business plan

The 2014-2016 Business Plan, approved by the Board of Directors in its meeting of 20 March 2014, and subsequently updated in the meeting of 12 March 2015, is based on:

- focus on profit margins through more control over the payouts on sports betting to maximize contractual benefits;
- improved territorial balance of the network, to boost market share in significant areas;
- Expansion of the "line" and "on-line" games;
- long-term initiatives promoting loyalty in Betting Shops with a high market share;
- full exploitation of the potential of Virtual Events, to support, inter alia, expansion of the distribution network;
- growth of the Online Skill and Casino Games segment;
- enhancement and requalification of the Gaming Machines area in shops and in arcades;
- development of services dedicated to partners (training, dedicated web site) and actions aimed at their retention;
- launch of services to citizens to maximize opportunities for the distribution network;

In its meeting of 20 March 2014, the Board of Directors approved the 2014-2016 Business Plan, which was then updated in the meeting of 12 March 2015. The Plan is focused on development and growth for the Group as listed above and which, once achieved, will contribute to reaching and maintaining economic and financial balance over time and will make available the necessary resources for business development, under the regulatory conditions known at the date of preparation and approval of the aforesaid plan.

L.2 Events since the end of the year

L.2.1 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. On this issue, a transaction with the companies involved and their counterpart Scientific Games Corporation was concluded on 19 February 2015. 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. It also 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 asked by Barcrest to SNAI which, due to the transaction, will not be paid.

L.2.2 Stability Law

The Stability Law, approved by the Parliament at the end of December 2014, envisages, amongst other things, 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 a decree 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 37.8 million.
SNAI filed notice of appeal before the Regional Administrative Court (TAR) of Lazio to denounce the violation to the Italian and European Constitution of the request, pursuant to Art. 1, par. 649, of Law no. 190/2014, in the section which sets out the imposed payment of Euro 500 million from wagers 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 payment 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 European illegality, or b) the submission to the Council of the issue of violation 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.

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

During 2014, the SNAI Group updated and disseminated the "Internal Document on Personal Data". 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 127 (2428 CC)

The company does not hold, directly or indirectly, through companies of the SNAI Group or fiduciary companies or indirectly through agents, shares of the parent company.
No transaction involving the purchase or sale of shares took place over the course of 2014 or in the first few months of 2015.
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.
Particular attention is paid to the interest rates since insofar as the portion of the bonds which has not been reimbursed (“Series B”) of the bond issued on 8 November 2013, is linked to three month Euribor.

The SNAI Group manages commercial risks vis-à-vis its customers internally.

N.2 Corporate Governance Report

The Report on corporate governance and shareholding structures for 2014 was approved by the board of directors in its meeting held on 17 March 2015 and published on the website www.snai.it in the “Governance” section.

N.3 Option to take advantage of national tax consolidation

The corporate bodies of SNAI S.p.A., Festa S.r.l., Immobiliare Valcarenga S.r.l. and Teleippica S.r.l. renewed their three year option to participate in the national tax consolidation, based on the articles of Presidential Decree 917 of 22 December 1986, as it is currently applicable.

On 11 June 2013, TRENNO S.r.l. also renewed its commitment to the fiscal consolidation for a further 3 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 2014, 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 period ended 31 December 2014 which closes with a net loss of Euro 27,889,723.99;

- *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	27,889,723.99
To be covered by using:	
- Share Premium Reserve	13,946,362..22
- Legal Reserve	1,559,327.76
- Loss carried forward	12,384,034.01

For the Board of Directors
Giorgio Sandi
(Chairman and Managing Director)

Milan, 17 March 2015

****

The executive responsible for the preparation of the corporate and accounting documents, Mr. 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.
Draft of the Financial Statements as at 31 December 2014 and Explanatory Notes

Approved by the Board of Directors of SNAI S.p.A.

Milan, 17 March 2015

SNAI S.p.A.
Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro 60,748,992.20 fully paid in
Tax Code 00754850154 - VAT no. 01729640464
Register of Companies in Lucca and Lucca REA no. 00754850154

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SNAI S.p.A.: DRAFT OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 AND EXPLANATORY NOTES

SNAI S.p.A. - Comprehensive Income Statement

amounts in Euro	Note	Year 2014	of which related parties note 32	of which non-recurring note 34	Year 2013	of which related parties note 32	of which non-recurring note 34
Revenues from sales and services	3	511,158,837	222,174		463,356,082	2,423,962	
Other revenue and income	4	1,803,556	1,118,294		2,337,854	1,721,881	
Change in inventory of finished and semi-finished products	17	(36)			107,345		
Raw materials and consumables	5	(711,870)			(816,165)		
Costs for services and use of third party assets	6	(355,688,080)	(9,442,010)		(321,778,411)	(9,354,337)	
Costs of personnel	7	(26,571,926)	(46,641)		(24,655,706)	(188,178)	
Other operating costs	8	(39,371,046)	(16,673)		(99,766,687)	(20,688)	(66,250,939)
Capitalised internal construction costs	9	1,539,293			1,336,656		
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes		**92,158,728**			**20,120,968**		
Amortisation, depreciation and write-downs	10	(56,911,613)			(52,979,251)		
Other provisions	26	(185,643)			(1,618,556)		
Earnings before interest and taxes		**35,061,472**			**(34,476,839)**		
Gains and expenses from shareholdings		(3,049,417)			(6,099,756)		
Financial income		2,273,732	542,458		1,686,977	427,099	
Financial expenses		(60,202,056)	(171,243)		(59,959,498)	(125,061)	(2,748,699)
Total financial income and expenses	11	**(60,977,741)**			**(64,372,277)**		
PROFIT/(LOSS) BEFORE TAXES		**(25,916,269)**			**(98,849,116)**		
Income tax	12	(1,973,455)			4,513,410		
Profit/(loss) for the year		**(27,889,724)**			**(94,335,706)**		
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	23	(145,538)			62,936		
Other comprehensive income which will not be restated under profit/(loss) for the year after taxes		**(145,538)**			**62,936**		
Net (loss)/profit from derivatives as cash flow hedges	23	2,124,050			2,571,543		
Other comprehensive income which will be restated under profit/(loss) for the year after taxes		**2,124,050**			**2,571,543**		
Profit/(loss) in comprehensive income statement, after taxes		**1,978,512**			**2,634,479**		
Total profit (loss) for the year		**(25,911,212)**			**(91,701,227)**		

SNAI S.p.A. - Balance Sheet

amounts in Euro	Note	31.12.2014	of which related parties note 32	31.12.2013	of which related parties note 32
ASSETS					
Non-current assets					
Property, plant and equipment owned		133,584,691		135,809,767	
Assets held under financial lease		3,781,330		9,396,261	
Total property, plant and equipment	13	**137,366,021**		**145,206,028**	
Goodwill		231,087,971		231,087,971	
Other intangible assets		102,655,318		135,050,860	
Total intangible assets	14	**333,743,289**		**366,138,831**	
Shareholdings in subsidiaries & associates		18,656,499		16,704,844	
Shareholdings in other companies		45,848		45,848	
Total shareholdings	15	**18,702,347**		**16,750,692**	
Deferred tax assets	16	78,408,033		73,471,309	
Other non-financial assets	19	1,775,814		2,204,137	
Non-current financial assets	20	1,244,418		0	
Total non-current assets		**571,239,922**		**603,77,0997**	
Current assets					
Inventories	17	456,259		1,303,185	
Trade receivables	18	47,669,000	289,905	60,655,751	818,289
Other assets	19	26,504,972	2,816,624	27,805,232	2,349,108
Current financial assets	20	22,276,643	2,613,555	27,161,883	7,748,118
Cash and cash equivalents	21	66,921,751		43,860,107	
Total current assets		**163,828,625**		**160,786,158**	
TOTAL ASSETS		**735,068,547**		**764,557,155**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' Equity					
Share Capital		60,748,992		60.748.992	
Reserves		12,865,028		105,222,221	
Profit/(loss) for the year		(27,889,724)		(94,335,706)	
Total Shareholders' Equity	22	**45,724,296**		**71,635,507**	
Non-current liabilities					
Post-employment benefits	24	1,698,790		1,509,592	
Non-current financial liabilities	25	464,768,604		481,387,840	
Deferred tax liabilities	16	57,928,556		53,018,594	
Provisions for risks and charges	26	10,811,504		16,112,698	
Sundry payables and other non-current liabil	27	2,325,711		3,611,770	
Total non-current liabilities		**537,533,165**		**555,640,494**	
Current liabilities					
Trade payables	28	29,600,379	672,277	35,111,868	1,994,890
Other liabilities	27	94,355,946	6,752,328	93,706,312	5,392,214
Current financial liabilities		8,302,812	4,932,687	8,462,974	974,941
Current portion of long-term borrowings		19,551,949		0	
Total financial liabilities	25	**27,854,761**		**8,462,974**	
Total current liabilities		**151,811,086**		**137,281,154**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**735,068,547**		**764,557,155**	

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

(amounts in thousands of Euro)

	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge reserve	Post-empl. reserve (TFR) (Ias 19)	Profit (Loss) carried forward	Profit/ (Loss) for the year	Total Shareholders' Equity
Balance as of 01.01.2013		60,749	1,559	154,345	(6,819)	(174)	(260)	(46,063)	163,337
Loss for fiscal year 2012				(46,063)				46,063	0
Profit/(loss) for the year								(94,336)	(94,336)
Other comprehensive profit/(loss)	23				2,572	63			2,635
Net amounts as of 31.12.2013					2,572	63		(94,336)	(91,701)
Balance as of 31.12.2013		**60,749**	**1,559**	**108,282**	**(4.247)**	**(111)**	**(260)**	**(94,336)**	**71,636**

	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge reserve	Post-empl. reserve (TFR) (Ias 19)	Profit (Loss) carried forward	Profit/ (Loss) for the year	Total Shareholders' Equity
Balance as of 01.01.2014		60,749	1,559	108,282	(4,247)	(111)	(260)	(94,336)	71,636
Loss for fiscal year 2013	22			(94,336)				94,336	0
Profit/(loss) for the year								(27,890)	(27,890)
Other comprehensive profit/(loss)	23				2,123	(145)			1,978
Net amounts as of 31.12.2014					2,123	(145)		(27.890)	(25,912)
Balance as of 31.12.2014		**60,749**	**1,559**	**13,946**	**(2,124)**	**(256)**	**(260)**	**(27,890)**	**45,724**

SNAI S.p.A. - Cash Flow Statement

	amounts in Euro	Note	31.12.2014	of which related parties note 32	31.12.2013	of which related parties note 32
A.	**CASH FLOW FROM OPERATIONS**					
	Profit/(loss) for the year		(27,889,724)		(94,335,706)	
	Amortisation, depreciation and write-downs	10	56,911,613		52,979,251	
	Write-downs and losses on shareholdings		3,049,417		6,099,756	
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabiliti	16	(777,232)		(6,576,245)	
	Change in provision for risks	26	(5,301,194)		(8,477,462)	
	(Capital gains) capital losses from non-current assets (including shareholdings)	4-8	1,078,550		126,467	
	Net change in sundry non-current trade assets and liabilities and other changes	19-27	(857,736)		1,615,168	
	Net change in current trade assets and liabilities and other changes	17-18-19 27-28	10,271,011	98,369	26,559,856	2,491,205
	Net change in post-employment benefits	24	(11,544)		(46,792)	
	CASH FLOW FROM (USED IN) FROM OPERATIONS (A)		**36,473,161**		**(22,025,707)**	
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Investments in property, plant and equipment (-)	13	(10,150,444)		(17,616,435)	
	Investments in intangible assets (-)	14	(7,725,563)		(18,861,657)	
	Contributions to cover losses in shareholdings	15	(5,000,000)		(5,000,000)	
	Liquidation of shareholdings		0		137,146	
	Proceeds from the sale of tangible, intangible and other non-current assets	4	121.393		97.218	
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		**(22,754,614)**		**(41,243,728)**	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Change in financial receivables and other financial assets	20	3,640,822	5,134,563	(12,971,959)	(3,806,720)
	Change in financial liabilities	25	5,712,275	3,957,746	(20,524,556)	(1,303,513)
	Repayment of financing	25	0		(4,600,000)	
	Opening/disbursement of loans	25	0		57,498,000	
	Redemption of loans		0		(421,748,000)	
	Entering of a bond loan	25	0		515,000,000	
	Reimbursement of "Facility A" bonds	25	0		(15,000,000)	
	Changes in debts to betting agencies deferred through purchase of "concession" business units	25	(10,000)		(113,234)	
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		**9,343,097**		**97,540,251**	
D.	**CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)**		**0**		**0**	
E.	**TOTAL CASH FLOW (A+B+C+D)**		**23,061,644**		**34,270,816**	
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**		**43,860,107**		**9,589,291**	
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)**		**66,921,751**		**43,860,107**	
	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		43,860,107		9,589,291	
	Bank overdrafts		0		0	
	Discontinued operations		0		0	
			43,860,107		**9,589,291**	
	CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE YEAR, ANALYSED 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**	

Interest expenses paid over 2014 amounted to around Euro 48,957 thousand (Euro 27,433 thousand in 2013).

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.

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, 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, with respect to the financial statements as at 31 December 2014, the Company reported a net loss of Euro 27.9 million and shareholders’ equity decreased to Euro 45.7 million. Net financial indebtedness, equal to Euro 423.1 million, is mainly composed of bond loans issued and subscribed on 4 December 2013, to be repaid in 2018.

The Directors report that Earnings Before depreciation and amortisation, write-downs, financial income/expenses, taxes for the year were better than in the same period of the previous year and, in general, substantially in line with expectations, excluding some allocations on specific issues to the provision for doubtful receivables which became necessary at year end. The differences compared to the forecast business performance stem from certain major factors: i) the excellent results of new bets on virtual events; ii) lower than expected revenues from sports betting, as a result of the lower wagers and a better payout, which reached 79.1%; iii) lower revenues and margins generated by the Gaming Machines segment, in which there was a delay in introducing games with reduced payouts; iv) the performance of the skill games, which was below expectations in terms of revenues.

The Directors prepared a strategic plan for 2014-2016 years (the “2014-2016 Plan” or the “Plan”), approved last 14 March 2014, whereby, at the end of the three-year period, revenues and margins will have grown significantly and a positive economic result will be achieved, whilst the Shareholders’ Equity will be substantially unchanged with respect to 2013, there will be adequate operating cash flows to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Company is not likely to generate the necessary resources to entirely repay bond loans in 2018.

In the meeting of the BoD held on 12 March 2015, the Plan itself was recently updated to take account of the negative effects resulting from regulations introduced by the Stability Law approved in December 2014, the performance of the distribution network and further actions to support the business. The results achieved with the plan updating, however, do not differ significantly from the previously approved plan. Forecasts for 2015 were also supplemented to reflect the equity, economic and financial effects of the Barcrest transaction occurred in the first months of the new year (as better described in paragraph "Events after the end of the year").

Within this framework, with a reduced Shareholders’ Equity which limits the Company's ability to absorb further losses, and negative effects and uncertainties generated by the new rules set out by the Stability Law, the Company reacted with significant growth expectations in terms of wagers, which will affect revenues and margins, based on a number of initiatives The latter include a strong increase in the Live and On Line offer, wider offers related to virtual events, also through the use of a high number of rights currently available, as well as the continuation of the reallocation plan of VLT terminals to better performing locations. Moreover, the company's performance should also benefit from the fact that the payout on sports betting was managed more effectively thanks to the combined effects of the new management agreement which better aligns SNAI’s interests with those of the Operators, and of the improved automatic controls on the betting acceptance system, which have already helped to generate a better performance with respect to competitors.

The Plan, in its updated version as well, therefore defines a path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to: (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments, necessary to maintain the Company's Shareholders' Equity, (2) the Company's ability to obtain the necessary resources to repay and/or replace the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the occurrence of future events and the characteristics of the relevant market, including the rumoured possibility of a significant increase in taxation in the Gaming Machines sector, which could negatively affect the actual implementation of the Plan, and therefore the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

While evaluating the uncertainties identified, Directors also considered that the impact on the Company of possible unfavourable deviations, which should occur with respect to estimates for 2015, might be more easily mitigated thanks to the positive effects of the Barcrest transaction. 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 possible deviations in performance that might affect future years and, in general, the achievement of an economic, equity and financial balance.

Lastly, Directors believe that, albeit in the presence of the foregoing uncertainties, the targets set out in the Plan are reasonable and the Company has the capacity to continue its business operations in the foreseeable future, and therefore have prepared the financial statements based on the going concern assumptions.

1.2 Accounting standards

(a) General standards

The financial statements as at 31 December 2014 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 2013, 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 2014 are indicated and succinctly described.

Various amendments to the standards were applied for the first time in 2014, albeit they had no impact on the financial statements.

IAS 27 - Separate Financial Statements (reviewed in 2011)
Following the new IFRS 10 and IFRS 12 standards, IAS 27 is now limited to the accounting requirements for shareholdings in subsidiaries, joint ventures and affiliates in the financial statements. The amendment had no impact on the Company's financial statements.

IAS 28 - Investments in Affiliates and Joint Ventures (reviewed in 2011)
Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Investments in Affiliates and Joint Ventures, and describes the application of the equity method to shareholdings in joint ventures, in addition to affiliates. The amendment had no impact on the Company's financial statements.

IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
The amendments clarify the meaning of "currently has a legally enforceable right of set-off". Moreover, they clarify the application of the set-off criterion under IAS 32 in the case of settlement systems (e.g., central

clearing houses) that apply non-simultaneous gross settlement mechanisms. These amendments had no impact on the Company's financial statements.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Contributions in kind by the participants in the control. IFRS 11 eliminates the option of accounting for subsidiaries jointly using the proportionate consolidation method. Jointly controlled subsidiaries which fall under the definition of a joint venture, must be accounted for using the equity method instead. The amendment had no impact on the Company's financial statements.

IFRS 12 and subsequent amendment - Disclosures of Interests in Other Entities

IFRS 12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. These disclosures concern a company's shareholdings in subsidiaries, jointly controlled entities, affiliates and structured vehicles. The Company owns no shareholdings in subsidiaries in which significant minority shares are present and owns no shareholdings in subsidiaries that are not fully consolidated.

Amendments to IAS 36 - Recoverable Amount Disclosure for Non-Financial Assets

These amendments remove the implications on disclosures required by IAS 36 and involuntarily introduced by IFRS 13. Moreover, these amendments require a recoverable amount disclosure of assets of CGUs for which an impairment loss has been reported, or reversed during the year. The amendment had no impact on the Company.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement

The amendments aim to govern situations in which a derivative designated as hedging instrument is novated by a centralized counterpart pursuant to regulations or standards. The hedge accounting can therefore continue irrespective of notation, which would not be allowed without this amendment. The amendment had no impact on the Company.

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

Standards issued but not yet in effect

This section shows the standards which had already been issued at the reporting date, 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.

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", as well as all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment 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 15 Revenue from Contracts with Customers

The IFRS 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 standards 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 2017, with full or modified retrospective application. Early application is permitted. The Company is currently evaluating the impact of IFRS 15.

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 38: Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments clarify the principle included in IAS 16 and IAS 38: 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 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 July 2014.

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 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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendment aims at eliminating the conflict between requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction involving an associate or joint venture, the condition according to which a profit or a loss can be recognised depends on the fact that the asset being sold or transferred is a business. This amendment is effective to annual periods beginning on or after 1 January 2016. Early application is permitted.

IFRIC 21 Levies

IFRUC 12 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 IFRIC 21 should be applied retrospectively. This application of this interpretation is compulsory for financial statements beginning on or after 17 June 2014.

Annual cycle of IFRS improvements - 2010-2012
Improvements will be effective on or after 1 February 2015 and relate to the following issues:
IFRS 2: Definition of “Vesting Condition”;
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: proportionate 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 will be effective on or after 1 January 2015 and 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.

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 accounting layouts adopted by the Company for the year ended on 31 December 2014 have not changed from those adopted on 31 December 2013.

Reporting format of the Financial Statements

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 Group’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 period, the movements during the year and at year-end.

Cash Flow Statement
The Consolidated 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.

(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 2015 budget objectives and its multi-annual plan to 2016, as updated by the Company's Board of Directors on 12 March 2015.

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 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 director 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%;
- Plant and machinery: 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 uncollectible.

(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 promptly 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. if 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 the 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 Shareholders’ 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 registered 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

The Company operates in the gaming and betting market, mainly consisting of bets on sports and horse races, legal betting based on AWP [Amusement With Prizes] machines (formerly "new slot") and VLT [video lottery] machines, in addition to remote skill games, 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 Article 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 online 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 horseracing 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 adheres 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 might result in the widening of the physical collection network with a certain number of additional shops, former "CTDs" that are now regularised.

Notes to the main items of the comprehensive income statement

The comparison between values, always expressed in thousands of euros, unless otherwise indicated, is based on the corresponding balances of year 2013.

3. Revenues from sales and services

The amount of revenues from sales of goods and services in year 2014 amounts to Euro 511,159 thousand, down from Euro 463,356 thousand, and is detailed below:

thousands of Euro	Year 2014	Year 2013	Change
Net revenues from the collection of fixed quota and reference sports and horse race bets	130,401	144,836	(14,435)
Revenues from totalisator, national horse racing/sports forecast bets	20,507	25,368	(4,861)
Revenues from Gaming Machines	278,475	250,899	27,576
Net revenues from on-line games (Skill/Casino/Bingo)	19,841	25,454	(5,613)
Net revenues from virtual events	44,222	1,214	43,008
Bet collection services	3,972	4,770	(798)
Revenues from virtual event services	2,856	-	2,856
Revenue from on-line Bingo services	8	111	(103)
Revenues from commissions	3,662	734	2,928
Revenues from service and assistance contracts	5,028	6,073	(1,045)
Revenue from horseracing business rental	160	2,376	(2,216)
Revenues from organisation and technology sales	655	429	226
Other revenue from services and chargebacks	1,372	1,092	280
Total	511,159	463,356	47,803

The following table breaks down the item "Net revenue from fixed-odds and reference bets", showing the winnings, refunds and taxes:

thousands of Euro	Year 2014	Year 2013
Revenue from sports betting	752,975	826,970
Sports reimbursements	(544)	(828)
Sports winnings	(594,805)	(651,567)
Flat-rate tax on sports bets	(29,984)	(32,701)
Net revenue from sports betting	127,642	141,874
Revenue from horseracing bets	27,392	30,759
Horserace reimbursements	(205)	(209)
Horserace winnings	(21,007)	(23,714)
Flat-rate tax on horseracing bets	(1,125)	(1,280)
Cost of horseracing contribution	(2,296)	(2,594)
Net revenue from horseracing bets	2,759	2,962
Total net revenues from fixed-odds and reference betting	130,401	144,836

The revenues from the sports bets decreased compared to last year, due to the higher payout and the lower amount of wagers. In 2014, the payout on sports betting amounted to approximately 79% compared to 78.8% in 2013.

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

Revenue from concessions for the management of the network of entertainment machines (ADI) amounted to a total of Euro 278,475 thousand in 2014, 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 AAMS (pursuant to the Law Decree no. 95 of 6 July 2012. Since 1 December 2012, the Customs incorporated the AAMS 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 the amount of Euro 14,213 thousand paid for the "Entertainment machine guarantee deposit" in 2014 (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 Directors' Decree 2013/4879/GIOCHI/ADI of 06/02/2013 has established the criterion and procedures for guarantee deposit refunds for 2013. The Company SNAI, based on the assumed information and internal checks performed, considers that the service levels achieved also in 2014 are sufficient to allow the guarantee deposit to be refunded.

The following table shows the breakdown of the item "Net revenues from on-line games (Skill/Casino/Bingo)":

thousands of Euro	Year 2014	Year 2013
Remote gaming revenue	737,903	998,711
Remote gaming winnings	(711,866)	(965,171)
Flat-rate tax on remote gaming	(6,196)	(8,086)
Total net revenue from remote gaming	19,841	25,454

4. Other revenue and income

The other revenue and income item, equal to Euro 1,804 thousand in 2014 (Euro 2,338 thousand in 2013) breaks down as follows:

thousands of Euro	Year 2014	Year 2013	Change
Revenues from services and chargebacks to Group	643	621	22
Rental of assets and chargeback expense	473	1,096	(623)
Active trading	59	-	59
Revenue from compensation and reimbursement for	89	225	(136)
Gains on disposal of assets	110	5	105
Other revenue and income	430	391	39
Total	1,804	2,338	(534)

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 32 "Related Parties".

5. Raw materials and consumables

The cost of raw materials and consumables amounted to a total of Euro 712 thousand in the year (Euro 816 thousand in 2013), 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 for services and use of third party assets amounted to a total of Euro 355,688 thousand in the year (Euro 321,778 thousand in 2013) and are detailed below:

thousands of Euro	Year 2014	Year 2013	Change
Betting acceptance management	71,722	78,855	(7,133)
Gaming Machine services	205,905	184,567	21,338
On-line games management (Skill/Casino/Bingo)	4,782	5,706	(924)
Remote virtual events management	20,989	1,001	19,988
Bookmakers	1,852	1,819	33
Information to prepare odds and posters	481	503	(22)
On-line gaming services	8,205	8,529	(324)
Consultancy cost and expense reimbursements	3,327	3,361	(34)
Utilities and telephone	6,366	6,723	(357)
Equipment repair and maintenance	7,063	7,637	(574)
Advertising and promotion	5,600	4,973	627
IT services	122	319	(197)
Installations, logistics and design	1,365	1,378	(13)
Personnel costs for collaborations and other	365	116	249
Insurance and guarantees	1,218	1,535	(317)
Market research	518	653	(135)
Festa help desk and call centre	2,722	2,838	(116)
TV and radios services	6,486	5,073	1,413
Services from Group companies	498	496	2
Other services	2,090	2,075	15
Directors' fees	1,493	1,380	113
Statutory Auditors' fees	176	175	1
Reimbursements to directors and auditors	34	35	(1)
Compensation to audit company	499	496	3
Compensation to supervisory board and other	124	111	13
Rental fees and additional charges	796	716	80
Operating leases and other leasing	890	708	182
Total	355,688	321,778	33,910

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 78,855 thousand in 2013 to Euro 71,722 thousand in 2014. This decrease results from a lower collection on sports and horseracing bets in the physical network;
- costs for Gaming Machine services (for a total of Euro 205,905 thousand compared to Euro 184,567 thousand in 2013) comprise fees paid to third party operators charged of wagers and running costs for VLT platforms;
- operating costs for on-line virtual races, equal to Euro 20,989 thousand, which include costs related to the operator and the platform.

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.

7. Costs of personnel

Costs of personnel totalled Euro 26,572 thousand in 2014 over Euro 24,656 thousand in 2013, up by Euro 1,916 thousand (+7.8%) primarily due to the hiring of new key personnel.

thousands of Euro	Year 2014	Year 2013	Change
Salaries and wages	18,478	16,997	1,481
Social security charges	5,621	4,982	639
Accrual to defined-benefit/defined-contribution	1,131	1,010	121
Reimbursement of expenses and transfers	567	515	52
Costs for personnel training	128	56	72
Meal tickets	557	480	77
Gifts to employees	22	22	-
Other costs of personnel	68	594	(526)
Total costs of personnel	26,572	24,656	1,916

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 at year-end is illustrated by the following table, which shows an increase of 22 individuals relative to 31 December 2013, mainly due to implementation of the Company's "core business" structures.

	31.12.2013		Accruals for the period	Disbursements for the period	31.12.2014		Average no. in period
Executives	19		6	1	24		21
Office workers and middle	415		32	14	433		427
Blue-collar workers	7		-	1	6		6
Total Employees	441	*	38	16	463	*	454

* of whom 56 part-time and 5 on maternity leave
** of whom 60 part-time and 20 on maternity leave

8. Other operating costs

Other operating costs amounted to a total of Euro 39,371 thousand in year 2014 (Euro 99,767 thousand in year 2013).

thousands of Euro	Year 2014	Year 2013	Change
Concessions and licenses	14,790	15,325	(535)
Settlement by the Court of Auditors	-	63,000	(63,000)
Administration fines	388	3,673	(3,285)
Other taxes and duties	377	339	38
Flat-rate municipal tax [I.M.U.]	1,046	1,230	(184)
% non-deductible VAT	5,488	4,360	1,128
Entertainment expenses	102	171	(69)
Subscription fees	214	207	7
Provision for doubtful receivables	15,544	8,814	6,730
Credit losses	1,609	973	636

Release of provision for technological upgrading	(2,591)	-	(2,591)
Provision for risks	448	293	155
Stationery, consumables and promotional	269	525	(256)
Ordinary purchases of goods and services	166	206	(40)
Capital losses from sale of assets	1,189	131	1,058
Other administration and operating costs	332	520	(188)
Total	39,371	99,767	(60,396)

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on gaming machines of Euro 8,581 thousand, calculated at 0.30% of the volume wagered and paid to ADM on a bimonthly basis;
- 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 5,393 thousand;
- the concession fee for remote public gaming, in the amount of Euro 659 thousand.

In 2014, a provision for doubtful receivables was recognised, in the amount of Euro 15,544 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 2014, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 448 thousand, as provided for by the concession agreement for the building and running of networks for the online 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 2,591 thousand.

The item "% non-deductible VAT", equal to Euro 5,488 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 that produce taxable revenues to which it refers; therefore the cost of non-deductible VAT has been calculated using specific allocation criteria.

Capital losses from sale of assets, equal to Euro 1,189 thousand, mainly relate to the scrapping of assets no longer used.

9. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 1,539 thousand in 2014 (Euro 1,337 thousand in 2013) are essentially related to software generated internally for:

- IT systems supporting the Business lines (Business Intelligence);
- Centralized systems and peripheral terminals for the acceptance of bets;
- Centralized systems for the management of relations with AAMS and client invoicing services for gaming machines;
- Centralized systems, gaming interfaces and integration protocols for on-line wagers through SnaiCards;
- Networking solutions supporting the Business lines;
- Development and strengthening of the company ERP;

- Centralized and peripheral systems for the operation of additional services at points of sale;
- Centralized systems and web interfaces for the integration and sale of Skill games (tournament poker, cash poker, casino games, slot games);
- Web-based solutions for information for the Operator, knowledge base, manuals, how-to, integration with the system for requests for intervention and sourcing of consumables (SnaiPartner);
- Viewing systems for the point of sale (new graphics pages, Intuition project);
- Centralized systems for the management of contacts with AAMS, reporting, customer services (VLT);
- Gaming control systems (SnaiProfit);
- Implementation of the new company CRM;
- Betting Shop Management system (MyWeb);
- System for the acceptance of bets on Virtual Events;
- Implementation of new acceptance solutions of self-service games;
- Proactive monitoring and control systems of peripheral components;
- Displaying and Signage Systems for VLT shops (Agencies, Arcades);
- AWP operating portals for owners and operators (SnaiPartner);
- Development of PDA installation automatic systems for AWP operators (SnaiPartner);
- Management systems and consoles for betting and risks on QF sales (Quota Life Cycle, Pre-match Console and Live console);
- IT systems in automatic betting shops (MyWeb - Quota Tables)
- New game interfaces and new displays for betting shops (snaiBox)

10. Amortisation, depreciation and write-downs

These amount to a total of Euro 56,912 thousand for 2014 (Euro 52,979 thousand in 2013), as detailed below:

thousands of Euro	Year 2014	Year 2013	Change
Amortisation of intangible fixed assets	40,981	34,877	6,104
Depreciation of property plant and equipment	15,813	17,639	(1,826)
Write-downs	118	463	(345)
Total	56,912	52,979	3,933

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 2014 amounted to Euro 60,978 thousand, down by Euro 3,394 thousand over 2013, as detailed below:

thousands of Euro	Year 2014	Year 2013	Change
Expenses from shareholdings:	3,049	6,099	(3,050)
Write-down of shareholding in the company Trenno	2,971	6,038	(3,067)
Write-down of shareholding in Alfea	-	42	(42)
Write-down of shareholding in SOLAR	-	6	(6)
Write-down of shareholding in Teseo	1	-	1
Write-down of shareholding in Connext	77	-	77
Use of write-down of shareholding in Tivù+	(1)	-	(1)
Losses on shareholding in SNAI Olè	1	-	1
Losses on shareholding in SNAI France	-	13	(13)

Financial income:	2,273	1,686	587
Gains on foreign exchange	-	1	(1)
Bank interest income	1,487	865	622
Interest income from subsidiaries	542	427	115
Misc. interest income	244	393	(149)
Financial expenses	60,202	59,959	243
Interest expense on loans	-	36,795	(36,795)
Interest expense on bond loan	49,650	4,085	45,565
Interest expenses to subsidiaries	171	125	46
Interest expense and ancillary charges on leasing	2,713	6,802	(4,089)
Other interest expense	297	3,071	(2,774)
Exchange rate losses	3	2	1
Loan charges from discounting liabilities	48	45	3
Other financial expenses	7,320	9,034	(1,714)
Total financial income and expenses	(60,978)	(64,372)	3,394

Financial income includes interest income accrued on bank accounts in the amount of Euro 1,487 thousand and other interest income for Euro 244 thousand 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 49,650 thousand of which Euro 4,242 thousand can be attributed to ancillary costs. These amounts are related to bond loans issued on 8 November 2013 and 4 December 2013, and amounting to Euro 500,000 thousand (for further details on bond loans reference is made to Note 25);
- interest expense calculated on financial leasing in the amount of Euro 1,865 thousand and ancillary charges on leasing for Euro 848 thousand, including non-deductible VAT;
- other financial expenses, including Euro 2,930 thousand of release of the portion pertaining of the cash flow hedge reserve related to hedge derivatives existing in 2013, Euro 2,629 thousand of commissions on bank guarantees, Euro 656 thousand of commissions payable on revolving loans and Euro 884 thousand of bank charges.

12. Income tax

Income taxes show a negative balance of Euro 1,973 thousand.

thousands of Euro	Year 2014	Year 2013
IRAP [regional production tax]	2,456	-
Tax on prior years	-	(2)
Deferred tax liabilities	5,171	6,330
Deferred tax assets	(7,339)	(12,958)
Use of deferred tax provision	(261)	(807)
Reversal of deferred tax assets	1,946	2,924
Total	1,973	(4,513)

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 2014		Year 2013
Profit before tax		(25,916)		(98,849)
Theoretical IRES tax charge	*27.50%*	7,127	*27.50%*	27,183
Theoretical IRAP tax charge	*5.12%*	1,327	*5.12%*	5,061
Total Theoretical tax charge		**8,454**		**32,245**
Fines, penalties and other taxes		(337)		(1,219)
Write-down of shareholdings		(838)		(1,678)
Other permanent non-deductible costs		(4,430)		(18,103)
Non-taxable dividends		0		0
Other permanent deductions		197		21
		3,046		11,266
Permanent differences in IRAP (including employees)		(5,019)		(6,755)
		(1,973)		4,511
Tax and duties for prior year		0		2
Actual tax charge	***7.6%***	**(1,973)**	***-11.5%***	**4,513**

For more details about the effects resulting from the tax charge and consolidated tax, refer to what is specified in detail in Note 16 “Receivables for deferred tax assets and deferred tax liabilities” in these Explanatory Notes.

The last year finalised for tax purposes was the year 2009.

Reference is made to Note 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 2013.

13. Property, plant and equipment

Property, plant and equipment as at 31 December 2014 amounted to Euro 137,366 thousand (Euro 145,206 thousand). The change in the year is due to the combined effect of the depreciation charge for the year (Euro 15,813 thousand), investments (Euro 10,151 thousand), reclassification to intangible assets, net of accumulated amortisation (Euro 860 thousand), impairment write-downs (Euro 118 thousand) and disposals, net of accumulated depreciation (Euro 1,200 thousand).

thousands of Euro	Land and buildings	Plant and equipment	Other assets	Assets under construction and advances	Total
Cost					
Balance as at 31 December 2013	138,160	134,646	24,070	92	296,968
Reclassification	(2)	(1,051)	186	(92)	(959)
Other increases	1,061	7,617	684	789	10,151
Decreases		(6,704)	(4,530)		(11,234)
Balance as at 31 December	139,219	134,508	20,410	789	294,926
Depreciation and impairment losses					
Balance as at 31 December 2013	32,984	105,329	13,449	-	151,762
Annual depreciation	3,036	10,454	2,323		15,813
Write-downs			118		118
Disposals		(6,596)	(3,438)		(10,034)
Reclassification		(185)	86		(99)
Balance as at 31 December 2014	36,020	109,002	12,538	-	157,560
Carrying amounts					
As at 31 December 2013	105,176	29,317	10,621	92	145,206
As at 31 December 2014	103,199	25,506	7,872	789	137,366

"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 2014, in the amount of Euro 10,151 thousand, mainly relate to:

- "Land and buildings", in the amount of Euro 1,061 thousand, relate mainly to improvements to buildings and other structures at the Ippodromo del Galoppo [Milan gallop racetrack];
- additions of Euro 7,617 thousand to "Plant and Machinery" relate for Euro 298 thousand to electro-thermal and electric plant, for Euro 6,707 thousand to technology loaned free of charge to the sales points, for Euro 109 thousand to hardware and interconnection network for the sales points, for Euro 500 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and to other plant and equipment necessary for the conduct of the various business operations of the Company;

- "Other assets", in the amount of Euro 684 thousand, relate for Euro 555 thousand to furnishings and fittings provided free of charge to the betting shops and to shops managed directly by the Group, for Euro 115 thousand to head office furnishings and fittings and for Euro 14 thousand to other 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 between now and June 2017. 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 amortization provision, as at 31 December 2014, of Euro 982 thousand.

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

thousands of Euro	
Total commitment as at 31/12/2014	1,267
of which	
Payments falling due within 12 months	755
Payments falling due between 1 to 5 years	512
Payments falling due after 5 years	-
Redemption	789

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

14. Intangible assets

Intangible fixed assets as at 31 December 2014 amounted to Euro 333,743 thousand (Euro 366,139 thousand). The change over the year is due to the combined effect of amortisation for the year, equal to Euro 40,982 thousand, reclassifications of property, plant and equipment, net of accumulated depreciation, equal to Euro 860 thousand and investments amounting to Euro 7,726 thousand.

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 2013	254,246	252,876	14,111	2,001	13,401	536,635
Reclassification		1,408		(1,682)	1,233	959
Other increases		2,423	1,989	30	3,284	7,726
Balance as at 31 December 2014	254,246	256,707	16,100	349	17,918	545,320
Amortisation and impairment losses						
Balance as at 31 December 2013	23,158	127,290	11,616	-	8,432	170,496
Annual amortisation		36,981	1,050		2,951	40,982
Reclassification					99	99
Balance as at 31 December	23,158	164,271	12,666	-	11,482	211,577

Carrying amounts						
As at 31 December 2013	231,088	125,586	2,495	2,001	4,969	366,139
As at 31 December 2014	231,088	92,436	3,434	349	6,436	333,743

The historical cost and related accumulated amortisation of item Concessions, licenses, trademarks and similar rights were adjusted as at 31 December 2013 with respect to overdue concessions totalling Euro 174,554 thousand.

Investments of Euro 7,726 thousand mainly concern:
- "Concessions, licenses, trademarks and similar rights", amounting to Euro 2,423 thousand, of which Euro 405 thousand for incentives to enter a new management agreement and Euro 1,150 thousand for the issue of the AWP authorisation and Euro 268 thousand for licences of VLT management software and Euro 600 thousand for the purchase of a trademark;
- "Industrial patents and intellectual property rights", amounting to Euro 1,989 thousand, of which Euro 120 thousand for licenses for operating programmes for administration, finance and control, Euro 1,474 thousand for licences related to virtual games and Euro 395 thousand for CRM licences, games management and reporting;
- "Other", for Euro 3,284 thousand, of which Euro 1,053 thousand for the implementation of software programmes for games management and Euro 704 thousand for the implementation of management software programmes and Euro 1,526 thousand for gaming machines cards;
- "Assets in progress and advances", amounting to Euro 30 thousand, of which: Euro 3 thousand for the New Concept Store and Euro 27 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 online 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.

The cash flows for years 2014-2016 of the "Services" CGU and the "Concessions" CGU have been prepared on the basis of the assumptions/forecasts set forth in the 2015 budget and the 2016 plan, as updated by the Company's Board of Directors on 12 March 2105. For the following years 2017-2019, a linear growth of flows was assumed with respect to expectations in the 2016 plan. The recoverable amount was estimated

as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was extrapolated from the last year of explicit projection (2019), 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 8.34%.

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 366.8 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 3.7 percentage points in the annual payout relative to the value assumed in the budget; (ii) increase of 10.1 percentage points of the annual discount rate; (iii) a final rate of negative nominal growth of 12.7%. It should be noted finally 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 57.2 million, becomes nil with a 27.7% 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 carrying amount of the unit below the recoverable amount of the same.

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.

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.

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 holding assessment rectifying the losses in value occurring up to the year 2014.

The impairment tests on the carrying amount of the shareholding concerned the subsidiaries Teleippica S.r.l and Festa S.r.l.

The cash flows for the years 2015-2016 of the subsidiaries Teleippica S.r.l and Festa S.r.l. were calculated on the basis of the assumptions underlying the 2015 budget and the 2016 reviewed plan, drawn up for the balance sheet valuations. For the following years 2017-2019, a linear growth of flows was assumed with respect to expectations in the 2016 plan. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was extrapolated.
The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 8.34% (in line with the value used in the prior year).

The analyses performed showed that the amount recoverable from the cash-generating units is higher than the carrying amount.

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.

On 23 September 2014, SNAI S.p.A. and SNAI Servizi S.r.l. entered an agreement with the aim of mutually transferring shareholdings as well as trademarks and a domain from SNAI Servizi S.r.l. to SNAI S.p.A., which is now 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.

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. In addition, accounting and tax effects became effective on that date.

16. 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 table shows that the Company posts deferred tax assets and deferred tax liabilities equal to the net value of deferred taxes assets of Euro 20,479 thousand (net value of deferred taxes liabilities as at 31 December 2013: Euro 20,452 thousand).

Temporary differences	**Amount**	**Rate**	**Tax impact**	**Advances posted**	**Period of reversal**
Taxed provision for doubtful receivables	52,332	27.50%	14,391	14,391	2015 and following
Provision for risks	8,425	27.50%-32.62%	2,713	2,713	2015 and following
Provision for inventory depreciation	12	27.50%-32.62%	4	4	2015 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	3,173	27.50%-32.62%	968	968	2015 and following
Interest Rate Swap	2,930	27.50%	806	806	2015 and following
Interest expense not deducted as per art. 96 of Tuir	86,885	27.50%	23,893	19,793	2015 and following
Other temporary differences	639	27.50%	176	176	2015 and following
Total	**154,396**		**42,951**	**38,851**	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Advances posted	Usable before
Year 2008	17,895	27.50%	4,921	4,921	eligible for being carried forward indefinitely
Year 2009	10,200	27.50%	2,805	2,805	eligible for being carried forward indefinitely

Year 2010	29,060	27.50%	7,992	7,992	eligible for being carried forward indefinitely
Year 2011	27,186	27.50%	7,476	7,476	eligible for being carried forward indefinitely
Year 2012	34,422	27.50%	9,466	9,466	eligible for being carried forward indefinitely
Year 2013	75,454	27.50%	20,750	3,425	eligible for being carried forward indefinitely
Year 2014	12,627	27.50%	3,472	3,472	eligible for being carried forward indefinitely
Total	206,844		56,882	39,557	
Total Deferred tax assets				**78,408**	

The changes in deferred tax assets:

	31/12/2013	provisions	uses	31/12/2014
Deferred tax assets	73,471	7,690	(2,753)	78,408

As at 31 December 2014, 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 deferred tax assets of Euro 3,472 thousand were recognised on the loss resulting from tax consolidation.
It should be also noted that, on the tax loss resulting from tax consolidation for 2013, recognised deferred tax assets amounted to Euro 3,425 thousand against recordable benefits of Euro 20,750 thousand. In fact, regardless of the fact that the Inland Revenue Office accepted the request filed by the Company on the deductibility, for IRES tax purposes, of amounts paid to settle the dispute with AAMS 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 amounted to Euro 39,557 thousand, while the tax benefit on off-balance sheet prior losses amounted to Euro 17,325 thousand.
It should be also 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 2,708 thousand, were recognised, against benefits amounting to Euro 6,808 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 3,173 thousand with tax effect of Euro 968 thousand, relates mainly to leasing contracts signed in 2007 and prior years (Euro 1,739 thousand with tax effect of Euro 567 thousand).

It is worth noting that the tax consolidation option is currently in force for the 2013-2015 three-year period, as per Art. 117 and seq. of the Presidential Decree no. 917/1986 with the consolidated company Società Trenno S.r.l. Moreover, the tax consolidation option between the consolidating company and the consolidated companies Festa S.r.l. and Immobiliare Valcarenga S.r.l. The latter were merged into Snai S.p.A. with effect as from 1 January 2015.
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. 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 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 Snai Servizi – Spazio Gioco)	(10,769)	27.50%-32.62%	(3,328)	(3,328)
Tax amortisation of goodwill on business segments	(131,940)	27.50%-32.62%	(41,959)	(41,959)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(38,596)	27.50%-32.62%	(12,576)	(12,576)
Other temporary differences	(239)	27.50%	(66)	(66)
Total deferred taxes	**(181,544)**		**(57,929)**	**(57,929)**

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

	31/12/2013	**provisions**	**uses**	**31/12/2014**
Provision for deferred taxes	53,019	5,171	(261)	57,929

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 review 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 38,596 thousand with tax impact of Euro 12,576 thousand relates mainly to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 38,067 thousand with tax impact of Euro 12,417 thousand).

17. Inventories

Relative to 31 December 2013, inventories increased by Euro 847 thousand. The composition of the "Inventories" item is shown below:

thousands of Euro	31.12.2014	31.12.2013	Change
Raw materials	64	14	50
Work in progress	8	8	-
Finished products/goods	384	1,281	(897)
Total	456	1,303	(847)

The value of inventories is shown net of the provision for inventory depreciation, equal to Euro 12 thousand (Euro 34 thousand). The decrease is due to the uses in the year.

18. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Current trade receivables:			
- from customers	95,849	100,874	(5,025)
- under collection and in portfolio	1,176	1,132	44
- from subsidiaries	290	812	(522)
- from parent Global Games S.p.A.	-	6	(6)
- Provision for doubtful receivables	(49,646)	(42,168)	(7,478)
Total	47,669	60,656	(12,987)

Trade receivables from customers included the balances due from operators for wagers (Betting and Gaming Machines), net of the compensation due to those operators.
Trade receivables from customers also include the receivables subject to legal action in the amount of Euro 42,376 thousand (Euro 46,055 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 the Company and 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 changes in the provision for doubtful trade debts were as follows:

thousands of Euro	individually
As at01 January 2013	34,521
Provisions for the year	8,710
Utilisation of provision	(1,063)
As at 31 December 2013	42,168
Provisions for the year	15,463
Utilisation of provision	(7,985)
As at 31 December 2014	49,646

As at 31 December 2014, 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 2014	47,669	27,244	2,326	1,653	16,446
Total 2013	60,656	28,069	4,210	1,470	26,907

19. Other assets

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

thousands of Euro	31.12.2014	31.12.2013	Change
Tax Receivables:			
- - from Inland Revenue Office for tax refund	92	62	30
- - from Inland Revenue Office for taxes under dispute	193	114	79
- from tax office for taxes on assets	-	54	(54)
	285	230	55
Receivables from others:			
- Guarantee deposit	1,296	1,464	(168)

Trade receivables:			
- Assets/valuables in portfolio	195	510	(315)
Total other non-current assets	1,776	2,204	(428)

The increase in guarantee deposits comprise, among other, Euro 300 thousand related to the deposit paid to the company P4Pay S.r.l. for the guarantee on the PostePay cards, and Euro 500 thousand deposited in court, in favour of a customer, as a result of the malfunction of the VLT Barcrest platform. For further details, reference is made to paragraph "*Malfunctioning of the Barcrest VLT platform*" in Note 26.

Other current assets are composed as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Tax Receivables:			
- from Inland Revenue Office for IRES down payment /credit	616	725	(109)
- from Inland Revenue Office for IRAP down payment/credit	175	587	(412)
- Other tax receivables	535	935	(400)
	1,326	2,247	(921)
Receivables from subsidiaries	2,816	2,346	470
Receivables from others:			
- Entertainment machine guarantee deposit	14,213	14,064	149
- Advance concession payment to AAMS	1,873	1,208	665
- Receivables from AAMS for winnings on National Horse Races	159	104	55
- Guarantee deposit for remote gaming (Skill/Bingo)	268	252	16
- Receivables from Skill Games	213	41	172
- Other receivables from Betting Acceptance Points	139	137	2
- Receivables for AAMS positions related to purchases of business units	327	296	31
- Receivables from undue payment of interest and sanctions on flat-rate gaming tax (PREU)	2,114	2,114	-
- Receivables from reimbursement of fees on guarantee	-	16	(16)
- Receivables from Bluline electronic exchange	226	226	-
- Welfare entities	57	56	1
- Sundry receivables	1,645	3,307	(1,662)
- Provision for doubtful receivables from others	(2,118)	(2,145)	27
	19,116	19,676	(560)
Accrued income and prepayments			
- Accrued income	-	16	(16)
- Prepayments	3,247	3,520	(273)
	3,247	3,536	(289)
Total other current assets	26,505	27,805	(1,300)

The gaming machines guarantee deposit of Euro 14,213 thousand (Euro 14,064 thousand) is equivalent to 0.5% of the turnover generated by the gaming machines (AWP and VLT) as described in greater detail in Note 3 “Revenues from sales and services”.

The Advance concession payment to AAMS, of Euro 1,873 thousand, includes higher amounts paid in advance to AAMS for 2014 and relates to the concession fee for horse race and sports betting and for online gaming. For further details reference is made to Note 8.

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

thousands of Euro	*individually*
As at 01 January 2013	2,196
Provisions for the year	102
Utilisation of provision	(153)
As at 31 December 2013	2,145
Provisions for the year	80
Utilisation of provision	(107)
As at 31 December 2014	2,118

Among the prepayments, the table shows:

- Euro 2,661 thousand (compared to Euro 2,888 thousand as at 31 December 2012), 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 358 thousand (Euro 459 thousand), primarily related to costs of maintenance and assistance contracts, etc., that have not yet accrued.

20. Financial Assets

The non-current financial assets consist of the following:

thousands of Euro	31.12.2014	31.12.2013	Change
Option rights	245	-	245
AWP deposits	999	-	999
Total non-current financial assets	1,244	-	1,244

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. The option right is an equity instrument measured at cost, according to IAS 39, paragraph 46, by reason of the fact that there is no price on any active listed market and fair value cannot be reliably determined because this is a newly incorporated company, with no financial statements approved.

AWP deposits are related to contracts with a sector operator.

The current financial assets consist of the following:

thousands of Euro	31.12.2014	31.12.2013	Change
Shares in former Soc. Fiorentina Corse Cavalli for exchange	1	1	-
Escrow account	-	6	(6)
Escrow accounts and unavailable balances	19,662	19,407	255
Financial current account with Società Trenno S.r.l.	2,614	5,190	(2,576)
Financial current account with Teleippica S.r.l.	-	2,558	(2,558)
Total other current financial assets	22,277	27,162	(4,885)

The escrow accounts, which were opened in order to manage the amounts resulting from the offsetting between the receivables from AAMS 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 Milan 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 which 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 financial current accounts related to subsidiaries include accrued interest for the period, calculated until 31 March 2014 at the 3-month EURIBOR rate plus 5 percentage points and then at fixed rate of 9.067%.
The account receivable against SNAI Olè in the nominal amount of Euro 838 thousand has been written down completely.

Non-current financial assets, the escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 36).

21. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Demand-deposit bank and postal accounts	66,767	43,687	23,080
Cash in hand	155	173	(18)
Cash on hand	66,922	43,860	23,062
Bank overdrafts	-	-	-
Net cash and cash equivalents	66,922	43,860	23,062

22. Shareholders' equity

The shareholders' equity in SNAI S.p.A. as at 31 December 2014, fully subscribed and paid in, amounts to Euro 60,748,992.20 and consists of 116,824,985 ordinary shares.
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.

authorised number of shares	116,824,985
number of shares issued and fully paid up	116,824,985
par value per share (in Euro)	0.52

The number of shares and share capital are unchanged with respect to 31 December 2013.
The shares issued are all ordinary shares.
No shares are held by the Company directly or via its subsidiaries or affiliates.

Reserves

Legal Reserve
The legal reserve amounts to Euro 1,559 thousand.

Share premium reserve
The share premium reserve, equal to Euro 13,946 thousand, was created following the share capital increase resolved on 14 September 2006, and concluded on 15 January 2007. The amount of that increase, of Euro 219,535 thousand, has been reduced by the ancillary charges, net of the tax effect related to the capital increase of Euro 8,216 thousand, in line with IAS 32. This reserve was utilised, for Euro 103,037 thousand, to cover part of the losses for the year 2010 and the losses for 2011 and 2012 and, for Euro 94,336 thousand, to cover the loss for the year 2013, as resolved by the shareholders' meeting of 29 April 2014.

Cash Flow Hedge Reserve
The cash flow hedge reserve is negative for Euro 2,124 thousand and consisted of derivatives being taken directly to equity (see Note 33).

Post-employment benefit reserve (IAS 19)
The reserve for the re-measurement of post-employment benefits (IAS 19) is negative for Euro 256 thousand and is formed by recognition of actuarial gains/losses as at 31 December 2014.

Profit (loss) carried forward
The profit (loss) carried forward amounted to a loss of Euro 260 thousand.

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 25 and 33).

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

thousands of Euro		Year 2014	Year 2013
Hedge derivatives:			
Adjustment to fair value interest rate swap		2,930	3,547
Tax impact		(806)	(975)
	(a)	2,124	2,572
Re-measuring of defined-benefit plans for employees (IAS 19):			
Actuarial gains/(losses)		(201)	87
Tax impact		56	(24)
	(b)	(145)	63
Total gain/(loss) for the year	(a+b)	1,979	2,635

24. Post-employment benefits

The Post-employment benefits as at 31 December 2014 amounted to Euro 1,699 thousand against Euro 1,510 thousand as at 31 December 2013.

The following table shows the movements therein:

thousands of Euro	
Balance as at 01.01.2014	1,510
Uses	(59)
Financial expenses	47
Actuarial loss/(gain)	(19)
Actuarial loss/(gain) from change in demographic ass.	-
Actuarial loss/(gain) from change in fin. assumptions	220
Actuarial (gains)/losses	201
Balance as at 31.12.2014	1,699

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	1.49%
Annual inflation rate	0.6% for 2015 1.2% for 2016 1.5% for 2017 and 2018 2% from 2019 onwards
Rate of increase in post-employment benefits (TFR)	1.95% for 2015 2.4% for 2016 2.625% for 2017 and 2018 3% from 2019 onwards
Annual rate of wage increase	Managers: 1% Middle managers: 1% Office workers: 1% Workers: 1%

Summary of demographic technical 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 31.12.2014

(amounts in thousands of Euro)

Change in assumptions	**Balance**
+1% on turnover rate	1,685
-1% on turnover rate	1,714
+1/4% on inflation rate	1,727
-1/4% on inflation rate	1,672
+1/4% on discount rate	1,655
-1/4% on discount rate	1,744

The average financial duration of the bond for defined-benefit plans as at 31 December 2014 equal to around 10 years.

The following table shows expected disbursements related to the plan:

Expected disbursements	
Years	thousands of Euro
1	115
2	111
3	102
4	97
5	93

25. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	31.12.2014	31.12.2013	Change
NON-CURRENT FINANCIAL LIABILITIES			
Bond loan	463,561	479,214	(15,653)
Payables for financial leasing	1,208	2,174	(966)
Total non-current financial liabilities	464,769	481,388	(16,619)
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	42	(10)
Payables for financial leasing	1,151	3,745	(2,594)
Due to banks	40	40	-
Due for interest on bond loans	2,148	3,661	(1,513)
Financial current account with Immobiliare Valcarenga S.r.l.	255	245	10
Financial current account with Teleippica S.r.l.	1,611	-	1,611
Financial current account with Festa S.r.l.	3,066	730	2,336
Total current financial liabilities	27,855	8,463	19,392

The financial liabilities include:
- The bond loans stipulated on 8 November and 4 December 2013 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 483,113 thousand, (nominal value of Euro 500,000 thousand) and stated net of direct ancillary charges. These charges, equal to Euro 21,453 thousand, include professional fees related to the stipulation of the contracts, as well as the tax payable on the assumption of the loan, whose Euro 4,242 thousand have been charged to the income statement for the year 2014;
- financial liabilities for financial lease contracts, totalling Euro 2,359 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, the Company 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 the Company's Board of Directors. The "Facility A" bonds, issued in the amount of Euro 15,000 thousand, were repaid on 4 December 2013.

The "Facility B" bonds, issued in the amount of Euro 20,000 thousand, featured the following characteristics:
- issue price: equal to 96% of the nominal value;
- -maturity: 18 months form issue except advance reimbursement and redemption provisions as set out by the regulation on the Bond Loan;

- - coupon (quarterly): 3-month Euribor + 800 bps (with quarterly increase of further 50 bps until maturity, up to 1000 bps maximum).

The regulation regarding Bond Loans, governed under the British law, provides that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the expiration or the advanced redemption of bonds, as well as restrictions in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advance redemption of bonds. The bonds are not listed on any regulatory market or in any Italian and EU multilateral systems for negotiations.

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.

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.

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. The Senior Revolving Facility had not been used as at 31 December 2014.

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.

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

amounts in thousands of Euro

Financial payables	Amount of loan	Duration	Interest period	Due date	Repayment method	Date of payment	Disbursed amount
Senior Secured Notes	320,000	4 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
Facility B bonds	20,000	1 year and 6 months	3 months	08/05/2015	Bullet	08/11/2013	20,000
Senior Revolving Facility	30,000		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.		-
Total	**530,000**				**Total disbursed as at 31/12/2014**		**500,000**

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

The Company 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 consolidated financial statements.

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.

As at 31 December 2014, the provisions for risks and charges amounted to Euro 10,812 thousand; the changes in those provisions are detailed in the following table:

thousands of Euro	Tax disputes, litigations and contractual risks	Technological renewals	Total
Balance as at 31 December 2013	13,104	3,009	16,113
Provisions recognised in year	1,389	448	1,837
Releases/Uses for the year	(4,367)	(2,771)	(7,138)
Balance as at 31 December 2014	10,126	686	10,812

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.

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 10,126 thousand.

The allocation for the period of Euro 1,389 thousand concerns: Euro 400 thousand related to 2013 PREU tax, Euro 717 thousand related to disputes with employees, Euro 200 thousand related to legal fees and Euro 72 thousand related to charges for companies in liquidation.
The use of the provision over the year, amounting to Euro 4,367 thousand, is related to: Euro 1,404 thousand for legal fees and Euro 2,480 thousand for transactions and Euro 483 thousand for the reduction of risks on liquidation of the subsidiary Teseo S.r.l. in liquidation.

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

In the month of June 2007, AAMS 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 of the fast track option as per Art. 14 of Law Decree 102/2013).
The Company has lodged an appeal with the Regional Administrative Court (TAR) contesting the AAMS 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 - AAMS 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, AAMS 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, AAMS 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 AAMS on 27 October 2011.

With memorandum no. 2012/7455/Giochi/ADI dated 17/2/2012 and received on following 27 February 2012, the AAMS 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 at 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 AAMS 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.
The hearing for discussion of the appeal was set for 26 May 2015.

In view of the above, and on the basis of its legal advisor opinions, the Company considers the risk of a negative outcome regarding AAMS's claims as no more than possible.

Disputes concerning the gaming machines business: proceedings "for rendering of account" initiated by the Substitute Prosecutor before the Court of Auditors and consequent judgement

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 proceedings.

The attorneys developed analytical arguments on the substantial baselessness of the demands of the investigating Prosecutor and argue that the Court 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 AAMS 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 advisers, 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, 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.

In addition to the proceedings on the account rendering, in the course of 2012, the auditing trial was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court. At the hearing of 17 January 2013, the rapporteur referred, in support of their report, to an opinion provided to AAMS 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 Lazio Court of Auditors’ Jurisdictional Section is scheduled on 10 April 2015.

In the opinion of legal advisers the risk of losing can be described as remote; 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 AAMS 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 2014, 93 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 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 to the Court 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 one case, ii) suspended in three cases.

It should be also pointed out that

i) two cases has in the meantime become extinct due to inactivity on the part of the player;
ii) An interim order, which is not temporarily enforceable, was revoked after the objection that was filed by SNAI related to the ruling no. 307/2014 issued by the Court of Macerata and filed on 20 March 2014;
iii) 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. In the other case, the players started a legal action against SNAI, for which the latter filed an objection;
iv) an objection was defined pursuant to Art. 702 c.c.p. with order of the Court of Prato which rejected,
on the merits of the claim, all requests filed by the claimant. The player filed an appeal and the first hearing is scheduled on 10 January 2017.

After 31 December 2014, a proceeding was settled out of Court with the payment in favour of the player of Euro 5,000, while other two requests for mediation procedures were filed.
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.

In the course of 2012, SNAI summoned Barcrest and its parent to sue for compensation for of all types of damage and loss resulting from the malfunction on 16 April 2012. The summoned companies appeared before the Court to challenge SNAI’s claims and asking the payment of alleged amounts receivable and of damage to be determined in the course of the proceedings. Due to various postponements, the first hearing was scheduled on 27 November 2014. For this hearing, the Judge granted legal time limits for the filing of briefs pursuant to Art. 183, par. VI of the Italian Code of Civil Proceedings, with effect beginning from 15 January 2015, and postponed the case to 27 May 2015.
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 (for further details see Note 38.1 Barcrest Transaction).
In light of the considerations set forth above and the opinions of our own legal advisers, the directors consider that the risk of the Company losing is may be classified as merely possible.

Proceedings for revocation/expiry of certain rights awarded upon the conclusion of the Bersani Tender Procedure

The directorate general of AAMS has, through 107 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 107 rights assigned to SNAI further to the “Bersani” tender procedure) and with reference to other three rights, AAMS 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 settled. On the basis of the legal advice obtained, and in light of the uncertain nature of disputes in this area, SNAI considers risk 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 AAMS regarding the reduced level of transactions by certain horse racing and sports Concessions in the years 2007-2008 for which AAMS has requested the minimum guaranteed service fees. We report the latest developments regarding the various measures analysed by year of dispute.

With AAMS notice no. 2009/20716 of 29 May 2009, AAMS 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 AAMS's demands related to the year 2008.

A similar procedure was performed for the AAMS'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 AAMS 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 AAMS 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 AAMS 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 AAMS'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 AAMS, as it is now considered recoverable; and the Company has informed AAMS 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 AAMS. Recently, upon the appeal of the Company and other concession holders, the Lazio Regional Administrative Court revoked AAMS'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 AAMS 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 Company to AAMS in prior years has been offset against current liabilities, connected to former ASSI amounts.

On 12 January 2012, AAMS notified 226 requests for payment of minimum guaranteed amounts to which the following is to be added: - two 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, AAMS served to SNAI, in addition to another notice served to the former Agenzia Ippica Monteverde S.r.l., 226 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 AAMS 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 AAMS might pursue for a forced collection of the amounts; on the other hand, confirms the suspension of similar requests that AAMS 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 AAMS 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 violation 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 AAMS 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. 16/2021, cancelled the payment orders of the guaranteed minimum amounts related to years 2006-2012, which calculated an unreasonable "fair discount" of only 5%.
The Company, supported by the advice of its legal advisers, considers that the risk of losing in relation to the requests that have been brought by AAMS only to be possible, and consequently has made no provision for risk.

Penalties for exceeding the AWP quotas

Following the demand formulated by AAMS 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 AAMS 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, AAMS 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.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007: the company Omniludo S.r.l. sued 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 29/6/2005", 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 (described below) pending before the Court of Lucca, Mr. 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.

- Case 4810/2010. 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 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 7 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 4194/2007 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.

Stefano Tesi vs. SNAI
By means of a notice of appeal served to SNAI in accordance with Art. 702 of the c.c.p. on 19 October 2011, Mr Stefano Tesi summoned SNAI to a hearing scheduled by the Judge for 26 January 2012. The Court ordered SNAI to pay Euro 13,476,106.10 - or whatever amount the court deems fair - plus legal expenses, on the grounds the defendant had not yet paid the “extraordinary” amount that the plaintiff won via a SNAI Video Lottery Terminal.

SNAI appeared before the Court, opposing the above claims both in fact and in law, as under mandatory provisions of law a VLT may not pay out winnings in excess of Euro 500,000.00, and in turn suing the manufacturer of the VLT in question, as the event was probably due to a defect in the machine. Following the submission of the motion for postponement by SNAI in order to summon the third party (BARCREST Group Limited, based in the United Kingdom), the Ordinary Judge of the Court of Lucca postponed the hearing to 3 July 2012. At that hearing, at which the BARCREST Group appeared, the Court withheld its decision. By an order lifting that reservation, the Investigating Judge ordered the transfer to ordinary proceedings and committed the case for trial on 9 October 2012 in accordance with 183 of the c.c.p. At that hearing the case was postponed until 12 March 2013 for admission of pre-trial motions. At the hearing of 12 March 2013, certain questions for witnesses formulated by SNAI were admitted but not those of Tesi. At the hearing of 28 May 2013, the case was postponed to 2 July 2014 for clarification of the pleadings. Once the pleadings had been clarified, the judge indicated the deadlines for submission of the closing briefs and the responses. With ruling of 10 November 2014, the Court of Pistoia rejected the claim of Stefano Tesi and ordered him to pay the legal expenses.

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 are 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 that hearing, the Judge postponed the case to 16 June 2015 to discuss on the preliminary claims.

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 AAMS a memorandum in which it proposed a hypothetical settlement of the dispute consisting in offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to AAMS (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and the abandonment by said Ministries of the trial before the Rome Court of Appeal.
AAMS 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 AAMS 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 Court of Cassation thereafter on 10 June).

Allegations by AAMS regional offices related to the 2006 PREU
This dispute regards 41 notices and/or assessment notices issued by the regional offices of AAMS, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6a, 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 tax 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 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 4 notices of assessment, AAMS has 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 CTP. A new hearing has to be set;
- 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. SNAI has appealed these rulings before the appropriate Regional Tax Commission and we are waiting for a hearing date to be set;
- for 1 proceeding, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled;
- for 1 proceeding, the hearings on suspension were held on 12 December 2014. The appropriate CTP reserved;
- for 18 proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. AAMS has appealed the remaining 15 rulings before the competent Regional Tax Commission and SNAI has submitted its own objections. Of the pending rulings, 7 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; for 8 proceedings the hearings have not yet been scheduled;
- for 1 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.

Based also upon the opinion of the legal advisers, the Directors assessed the risk of a negative outcome of the proceedings in course as being possible.

Allegations by AAMS regional offices related to the 2007 PREU

This dispute regards 12 notices and/or assessment notices issued by the regional offices of AAMS, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law “TULPS” (so-called AWP). 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 tax amounts to Euro 82,101.58 (Euro 49,683.24 as penalties + Euro 32,418.34 as 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:

- for 1 assessment notice, AAMS issued a decision for its cancellation (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 5 proceedings, we are awaiting that the appropriate CTP fix the hearings on the merits and suspension of provisional enforceability;
- for 2 proceedings, the hearings on suspension were held on 16 October 2014 and the appropriate CTP reserved on the decision;
- for 1 proceeding, we are awaiting the dates to be set for the hearings on the merits and suspension;
- for 1 proceeding, on 4 July 2013 after brief discussion, the CTP reserved on the decision. Upon lifting of its reservation, the CTP rejected the suspension request and postponed the discussion to a new hearing. A new hearing has to be set.

Based also upon the opinion of the legal advisers, the Directors assessed the risk of a negative outcome of the proceedings in course as being possible.

Allegations by AAMS regional offices related to the 2008 PREU

This dispute regards 8 notices and/or assessment notices issued by the regional offices of ADM (former AAMS), 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 2 notices the amount of which is undetermined, for which SNAI filed defensive briefs before the appropriate CTP. Given the lack of the outcome related to the evaluation of defence deeds and the following assessment notice, the case can be considered as expired.
- in relation to 6 assessment notices (followed by 4 objections for which SNAI filed defensive briefs), for a total amount of approximately Euro 380,000.00. SNAI has filed appeals against the above notices before the competent CTP; we are awaiting the dates to be set for the hearing on the merits and suspension.

Additional penalties for exceeding the AWP quotas by Regional Offices

This relates to 122 notices served by various regional offices of ADM (formerly AAMS) in which ADM contested the installation of a number of AWP in excess of 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 has provided as follows:

- to make a reduced payment for 46 disputes amounting to approximately Euro 22,600.
- to submit defensive briefs for 77 disputes, of which 19 have been archived.

After 31 December 2014, 7 notices were served.

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 is preparing its defence, also in consideration of legal precedents favourable to other concession holders that have published quotes with recognisable errors, and the company will appear in the judgements.

In some cases, however, the players have brought a complaint before the Commission for the transparency of the games at ADM requesting payment of their winnings. With the rulings no. 4/2013, no. 5/2013 and no. 6/2013 published on 29 April 2013, the Commission has upheld three appeals; payment has been sought from ADM. With an appeal to the Lazio Regional Administrative Court filed on 14 November 2013, SNAI objected the order with which ADM required the payment to one of the complainants. With reference to the above-mentioned order, on 21 March 2014 ADM issued a notice in which, while acknowledging the cancellation decided by the Commission, any action was suspended as regards failure to enforce the decision.

Considering the nature and the characteristics of the AAMS notices, SNAI decided to not appeal them.

27. Sundry payables and other liabilities

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

thousands of Euro	31.12.2014	31.12.2013	Change
Tax payables			
- Instalments on assessment notice	64	452	(388)
- Instalments of flat-rate tax	438	593	(155)
	502	1,045	(543)
Other payables			
- instalments related to PREU for previous years	1,824	2,567	(743)
	1,824	2,567	(743)
Total sundry payables and other non-current liabilities	2,326	3,612	(1,286)

Other current liabilities are composed as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Tax payables			
- Income tax	2,456	-	2,456
- VAT	797	2,228	(1,431)
- Flat-rate Tax	4,963	4,757	206
- Other tax payables	938	1,391	(453)
- Instalments of flat-rate tax	181	1,636	(1,455)
- Instalments on assessment notice	405	1,347	(942)
	9,740	11,359	(1,619)
Payables to soc. sec. entities			
- Welfare entities	2,093	1,855	238
	2,093	1,855	238
Payables to subsidiaries	6,752	5,301	1,451

Other payables:			
- to AAMS for outstanding PREU	17,012	14,944	2,068
- to AAMS for guarantee deposits ADI	2,638	2,417	221
- instalments related to PREU for previous years	846	1,103	(257)
- to winners and VLT jackpot reserve	10,063	10,531	(468)
- to entertainment machine managers	229	3	226
- to AAMS for Concession Payment	1,582	1,449	133
- to gamblers for wins and refunds on national horseracing/sports forecast bets	1,659	1,597	62
- to ASSI (former U.N.I.R.E.) for fortnightly payments	1,115	1,078	37
- to AAMS for expired tickets	288	479	(191)
- to AAMS for Conc. Pronostici and Ippica Nazionale	1,724	3,136	(1,412)
- for SNAI Card gaming bards	6,086	5,831	255
- to gamblers for antepost bets	1,567	1,762	(195)
- to gamblers for wins in virtual events	225	47	178
- to Remote Gaming players (Skill/Casino/Bingo)	132	132	-
- for management of remote gaming (Skill/Casino/Bingo)	1	1	-
- to AAMS	21,573	21,564	9
- for non-competition agreement	-	167	(167)
- to employees and collaborators	3,550	3,126	424
- to directors	418	760	(342)
- to auditors	136	162	(26)
- to suppliers of subsidiaries	-	65	(65)
- for guarantee deposits	2,865	2,281	584
- from others	1,993	2,489	(496)
	75,702	75,124	578
Accrued liabilities and deferred income:			
- accrued liabilities	52	34	18
- deferred income	17	33	(16)
	69	67	2
Total payables and others current passivity	94,356	93,706	650

The instalments payable on the tax assessment notice of a total of Euro 469 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on November 2011 and July 2013, of which Euro 64 thousand is due within more than 12 months and Euro 405 thousand is due within 12 months. That amount includes the tax, penalties e interest as defined in the final tax assessment notices, with acceptance granted on 5 July 2012 (for the year 2010) and 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 619 thousand, of which Euro 438 thousand being due after one year and Euro 181 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 2,670 thousand, of which Euro 1,824 thousand being due after one year and Euro 846 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2007 and 2009-2010 PREU tax.

The Other payables to AAMS item, totalling Euro 21,573 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 have been 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.

Payables to AAMS for outstanding PREU, in the amount of Euro 17,012 thousand, are calculated from the gaming machine transactions.

28. Trade payables

The trade payables are composed as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Trade payables			
- to suppliers	25,245	29,914	(4,669)
- to foreign suppliers	3,698	3,967	(269)
- to suppliers of subsidiaries	474	1,005	(531)
- to suppliers of associates	-	43	(43)
- to suppliers of affiliates	183	183	-
Total trade payables	29,600	35,112	(5,512)

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 31.12.2014	of which due on 31.12.2014
Financial payables	27,855	
Trade payables	29,600	10,211
Tax payables	9,740	
Payables to social security institutions	2,093	
Other payables	82,523	
	151,811	10,211

The amounts due as at 31 December 2014, i.e. Euro 10,211 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 31 December 2014. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

30. Share based payments

On 29 April 2014, the Shareholders' Meeting approved, among other things, the proposal for the remuneration plan, pursuant to Art. 114-bis of Law Decree 58/98 regarding a Remuneration Instrument for the Chairman and the Managing Director Giorgio Sandi, by virtue of his key position within the Company and fundamental role within the Company's development process.
This Plan includes a one-off, extraordinary bonus, in cash (the "Cash Bonus") or shares (the " Share-Based Bonus" and the Cash Bonus, together the "Extraordinary Bonus"), upon occurrence of some events connected with the Company's change of control.
Change of control means the direct or indirect acquisition, by a natural or legal person, who individually or together with other entities acting together with it pursuant to article 109 of the Consolidated Law on Finance (TUF), becomes the shareholder who holds, directly or indirectly, the highest number of Company shares.

I. The Cash Bonus will be paid by the company in the event that an entity other than the current controlling shareholder of SNAI makes, by 31 December 2021, a tender offer, whether voluntary or mandatory, on the company shares (the "**OPA**" [public offering]) due to which or upon conclusion of which an exchange of control takes place.

II. The Share-based Bonus will be paid by the company if, by 31 December 2021:
   - there is a merger by the company (the "**Merger**") upon conclusion of which an exchange of control takes place;
   - the company carries out a share capital increase upon conclusion of which an exchange of control takes place (the "**Increase**");
   - an entity other than the current controlling shareholder of SNAI makes an exchange tender offer on the company shares ("**OPS**") due to or upon conclusion of which an exchange of control takes place.

The Share-based Bonus, where attributed, will consist, in the event of a merger, in a number of shares of the company ensuing from the merger and, in the event of an increase or OPS, in a number of shares of the company.
Upon fulfilment of the Conditions, the Extraordinary Bonus will be attributed exclusively in the event in which the price per SNAI share is equal to or higher than Euro 4.1. In that case, the extent of the Cash Bonus or the Share-based Bonus will be determined based on the following table:

The price of SNAI shares	Amount of the bonus
Less than €4.1/share	0
From €4.1/share (included) up to € 5.65/share	2% of SNAI's capitalisation
From €5.65/share (included) up to € 6.40/share	2.33% of SNAI's capitalisation
From €6.40/share (included) up to € 7.20/share	2.67% of SNAI's capitalisation
For a price equal to or higher than €7.20/share	3.0% of SNAI's capitalisation

In the event of a termination of contract between the director and the company due to death or permanent invalidity or termination without just cause, or failure to renew the office, subsequently to the approval of the financial statements for the period ended 31 December 2015, for a subsequent mandate, the CEO will be entitled to a portion of the Cash Bonus or the Share-based Bonus, always provided the conditions above are fulfilled, and it will be determined according to different percentages.
The fair value of this instrument on the assignment date is equal to Euro 4,454 thousand.
The fair value as at 31 December 2014 is equal to Euro 2,356 thousand.
The liabilities as at 31 December 2014 which should be recognized in the financial statements amount to Euro 233 thousand, but given that the conditions this plan is subject to are not considered to be probable by the company as at 31 December 2014, in line with the instructions provided by IFRS 2, no liabilities have been recognized in the financial statements for the period ended 31 December 2014.

31. Financial commitments

In addition to what is stated regarding financial liabilities (note 25), the Company has undergone financial commitments related to the granting of guarantees for a total amount of Euro 128,061 thousand (Euro 157,097 thousand) relating to:

(amounts in thousands of Euro)

Beneficiary	Subject matter of the guarantee	Amount of bank guarantee as at 31/12/2014	Amount of bank guarantee as at 31/12/2013
AAMS	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.	35,364	35,905
AAMS	For the timely and exact payment of PREU and security deposit	22,914	24,600
AAMS	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	17,176	17,428

AAMS	Guarantee securing the concession for the acceptance of horse race bets	12,359	12,359
AAMS	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.	11,579	15,120
AAMS	For proper performance, payment of amounts and issuance of authorizations for the instalment of VLT, AWP devices.	6,000	6,000
ASSI (AGENZIA PER LO SVILUPPO DEL SETTORE IPPICO)	For the supply of broadcasting, elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5,387	5,387
AAMS	For the concession for the acceptance of horse racing and sports betting	4,262	4,960
MEDIOCREDITO ITALIANO S.p.A.	Tim's phone top-ups	4,000	-
AAMS	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.	2,380	2,380
AAMS	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
AAMS	AAMS Online games	1,840	1,380
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
VODAFONE OMNITEL B.V.	To guarantee prompt and entire fulfilment of obligations related to the agreement	750	-
AAMS	Guarantee of the timely and exact payment of PREU	-	10,000
AAMS	Guarantee of the timely and exact payment of PREU	-	6,000
AAMS	For the timely and exact payment of PREU	-	5,000
AAMS	Guarantee securing the preparation and adaptation of infrastructures for the connection of access points to the elaboration/processing system	-	3,000
AAMS	Guarantee securing the timely and exact payment of the concession instalment	-	2,057
AAMS	Guarantee securing the exact and timely payment of PREU	-	994
AAMS	To guarantee the debt owed to the Inland Revenue Office and Unire, as security backing concession 1507	-	230
E-CARE SPA	To cover legal fees and expenses resulting from the settlement of pending causes after the transfer contract of the outbound branch of Festa	-	220
VARIOUS		701	728
		128,061	157,097

As regards the issue of the Bond Loan on 4 December 2013, on the Senior Secured Notes and the Loan Contract for Senior Revolving, the Company provided for a series of collaterals on the major assets owned by the Company.

32. Related Parties

The 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 maintains relationships with Banca MPS, Intesa San Paolo and Banca Popolare di Vicenza, which may be qualified as parties related to SNAI insofar as they are entities attributable to shareholders. 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 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 related parties:

thousands of Euro	**31.12.2014**	**% Impact**	**31.12.2013**	**% Impact**
Trade receivables:				
- from Global Games S.p.A.	-	0.00%	6	0.01%
- from Società Trenno S.r.l.	218	0.46%	673	1.11%
- from Festa S.r.l.	2	0.00%	19	0.03%
- from Immobiliare Valcarenga S.r.l.	-	0.00%	4	0.01%
- from Teleippica S.r.l.	70	0.15%	116	0.19%
Total trade receivables	**290**	**0.61%**	**818**	**1.35%**
Other current assets				
- from Società Trenno S.r.l.	65	0.25%	96	0.35%
- from Festa S.r.l.	1,197	4.52%	710	2.55%
- from Immobiliare Valcarenga S.r.l.	86	0.32%	82	0.29%
- from Teleippica S.r.l.	1,468	5.54%	1,460	5.25%
- from Alfea S.p.A.	1	0.00%	1	0.00%
Total other current assets	**2,817**	**10.63%**	**2,349**	**8.44%**
Financial receivables:				
- from Società Trenno S.r.l.	2,614	11.73%	5,190	19.11%
- from Teleippica S.r.l.	-	0.00%	2,558	9.42%
Total financial receivables	**2,614**	**11.73%**	**7,748**	**28.53%**
Total assets	**5,721**	**0.78%**	**10,915**	**1.43%**
Trade payables:				
- to companies related to directors	15	0.05%	764	2.18%
- to Società Trenno S.r.l.	141	0.48%	143	0.41%
- to Festa S.r.l.	3	0.01%	522	1.49%
- to Teleippica S.r.l.	330	1.11%	340	0.97%
- to Connext S.r.l.	183	0.62%	183	0.52%
- to Tivu + S.p.A. in liquidation	-	0.00%	43	0.12%
Total trade payables	**672**	**2.27%**	**1,995**	**5.69%**
Other current liabilities				
- to companies related to directors	-	0.00%	21	0.02%
- to Global Games S.p.A.	-	0.00%	6	0.01%
- to Società Trenno S.r.l.	5,722	6.06%	4,762	5.08%
- to Festa S.r.l.	547	0.58%	551	0.59%
- to Immobiliare Valcarenga S.r.l.	-	0.00%	1	0.00%
- to Teleippica S.r.l.	-	0.00%	6	0.01%
- to Teseo S.r.l. in liquidation	483	0.51%	-	0.00%
- to companies related to shareholders	-	0.00%	45	0.05%
Total other current liabilities	**6,752**	**7.15%**	**5,392**	**5.76%**

Current financial payables:				
- to Festa S.r.l.	3,066	11.01%	730	8.63%
- to Immobiliare Valcarenga S.r.l.	255	0.92%	245	2.89%
- to Teleippica S.r.l.	1,612	5.79%	-	0.00%
Total current financial payables	**4,933**	**17.72%**	**975**	**11.52%**
Total Liabilities	**12,357**	**1.79%**	**8,362**	**1.21%**

Assets are stated net of the related provision.

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

thousands of Euro	Year 2014	% Impact	Year 2013	% Impact
Revenues from services and chargebacks:				
- from companies related to directors	1	0.00%	-	0.00%
- from Società Trenno S.r.l.	221	0.04%	2,424	0.52%
Total revenues from services and chargebacks	**222**	**0.04%**	**2,424**	**0.52%**
Other revenues				
- from companies related to directors	1	0.06%	2	0.09%
- from Global Games S.p.A.	6	0.33%	6	0.26%
- from Società Trenno S.r.l.	469	26.00%	1,122	47.99%
- from Festa S.r.l.	116	6.43%	115	4.92%
- from Immobiliare Valcarenga S.r.l.	12	0.67%	12	0.51%
- from Teleippica S.r.l.	514	28.49%	465	19.89%
Total other revenues	**1,118**	**61.98%**	**1,722**	**73.66%**
Interest income:				
- from Società Trenno S.r.l.	277	12.18%	272	16.12%
- from Teleippica S.r.l.	266	11.70%	155	9.19%
Total interest income	**543**	**23.88%**	**427**	**25.31%**
Total revenues	**1,883**	**0.37%**	**4,573**	**0.98%**
Costs for services and chargebacks:				
- from companies related to shareholders and directors	3	0.00%	648	0.20%
- from Società Trenno S.r.l.	394	0.11%	399	0.12%
- from Festa S.r.l.	5,425	1.53%	5,324	1.65%
- from Teleippica S.r.l.	3,019	0.85%	2,361	0.73%
- from Connext S.r.l.	600	0.17%	619	0.19%
- from companies related to shareholders	1	0.00%	3	0.00%
Total costs for services and chargebacks	**9,442**	**2.66%**	**9,354**	**2.89%**
Costs of seconded personnel				
- from Società Trenno S.r.l.	-	0.00%	44	0.18%
- from Festa S.r.l.	47	0.18%	113	0.46%
- from Teleippica S.r.l.	-	0.00%	31	0.13%
Total costs of seconded personnel	**47**	**0.18%**	**188**	**0.77%**
Other operating costs				
- from companies related to shareholders and directors	13	0.03%	13	0.01%
- from Connext S.r.l.	-	0.00%	3	0.00%
- from Società Trenno S.r.l.	4	0.01%	5	0.01%
Total other operating costs	**17**	**0.04%**	**21**	**0.02%**

Interest expense and fees				
Interest expense to Festa S.r.l.	139	0.23%	113	0.19%
Interest expense to Immobiliare Valcarenga S.r.l.	17	0.03%	12	0.02%
Interest expense to Teleippica S.r.l.	15	0.02%	-	0.00%
Total interest expense and fees	**171**	**0.28%**	**125**	**0.21%**
Total costs	**9,677**	**2.01%**	**9,688**	**1.91%**

The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 1.45% in 2014 (20.61% in 2013), whereas the total income impacts the profit/(loss) for the year in the amount of 6.75% in 2014 (4.85% in 2013).
The costs of services and chargebacks, costs of seconded personnel and various management charges impact the EBITDA in the amount of 10.31% in 2014 (47.53% in 2013), while the total costs impact the profit/(loss) for the year in the amount of 34.70% in 2014 (10.27% in 2013).

33. Financial risk management

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

On 8 November 2013, the Company issued a non-subordinated, non-convertible and unsecured bond loan 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 the Company's Board of Directors. The "Facility A" bonds were issued in the amount of 15,000 thousand and "Facility B" bonds were issued in the amount of 20,000 thousand. The "Facility A" bonds were reimbursed in full on 4 December 2013.

On 4 December 2013, the Company 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.

Gains on Bonds have been used by the company to (i) refinance a portion of the bank debt through the redemption of the medium/long-term loan granted to the Company by a pool of banks in 2011, as well as some hedging derivatives, (ii) reimburse Facility A Bonds issued by SNAI S.p.A. on 8 November 2013.
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. The Senior Revolving Facility had not been used as at 31 December 2014.
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.

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 in the first quarter of 2014 (figures expressed in thousands of Euro):

Cash Flow Hedge reserve - Interest rate risk	31/12/2014
Initial reserve	(4,248)
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	(2,124)

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 Company's exposure to such risk is linked principally to the commitments under the loan operation entered into in November and December 2013 with the issue of bond loans and the entering of a revolving facility unused as at 31 December 2014.

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 2014, and other liabilities. The cash flows are entered in the first timeframe where they may occur (values expressed 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	405,411	12,202	12,202	24,402	356,605
Senior Subordinated Notes	236,800	9,600	9,600	19,200	198,400
Facility B bonds	21,172	21,172	-	-	-
Leasing	2,482	872	398	1,176	36
Other liabilities	96,853	61,200	33,140	1,036	1,477

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.

The Company's exposure to such risk, as at 31 December 2014, specifically relates to the bond loan issued on 8 November 2013 for the portion of the non-reimbursed bonds, defined as "Facility B", in the amount of Euro 20,000 thousand. The aim of the Group's interest rate risk management is to protect the Company'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 transactions 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.

34. Significant non-recurring events and transactions

During 2014, there are no 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").

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

No atypical and/or unusual operations took place during the year 2014.

36. 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 Euro)	31.12.2014	31.12.2013
A.	Cash on hand	155	173
B.	Other cash and cash equivalents	66,766	43,687
	- banks	66,440	43,679
	- postal accounts	326	8
C.	Securities held for trading	1	1
D.	**Liquidity (A)+(B)+(C)**	**66,922**	**43,861**
E.	Current financial receivables	2,615	7,754
	- financial current account with subsidiaries	2,615	7,748
	- escrow account	0	6
F.	Current bank debts	40	40
G.	Current portion of non-current indebtedness	19,552	0
H.	Other current financial payables:	8,263	8,423
	- for interest on bond loans	2,148	3,661
	- financial current account with subsidiaries	4,932	975

	- for acquisition of sports and horseracing concessions	32	42
	- to other lenders	1,151	3,745
I	**Current financial indebtedness (F)+(G)+(H)**	**27,855**	**8,463**
J	**Net current financial indebtedness (I)-(E)-(D)**	**(41,682)**	**(43,152)**
K.	Non-current bank debts	0	0
L	Bonds issued	463,561	479,214
M.	Other non-current payables:	1,208	2,174
	- to other lenders	1,208	2,174
N.	**Non-current financial indebtedness (K)+(L)+(M)**	**464,769**	**481,388**
O	**Net financial indebtedness (J) + (N)**	**423,087**	**438,236**

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,662 thousand, classified under item "current financial assets" on the balance sheet (see Note 20). Furthermore, the non-current financial assets, equal to Euro 1,244 thousand, are not included (see Note 20).

With respect to the net financial indebtedness as at 31 December 2013, the net financial debt decreased by Euro 15,149 thousand. The decrease is mainly due to the favourable performance of ordinary operations.

36.1. 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 prohibition to distribute dividends before the due term of "Facility B" bonds and subsequent restrictions 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 and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total amount of Euro 30 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, adjusted with the effect generated by full roll out of VLT machines (run-rate). This update is valid until 31 December 2014.

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 financial indebtedness.

It is noted that, as at 31 December 2014, the Company was compliant with commitments and covenants.

37. 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 Group's financial instruments and other Company assets and liabilities.

	carrying amount		fair value	
thousands of Euro	2014	2013	2014	2013
Financial assets and liabilities				
Cash on hand	66,922	43,860	66,922	43,860
Receivables	47,669	60,656	47,669	60,656
Current financial assets	22,277	27,162	22,277	27,162

Non-current financial assets	1,244	-	1,244	-
Current financial liabilities	8,303	8,463	8,303	8,463
Current portion of long-term borrowings	19,552	-	19,552	-
Non-current financial liabilities	464,769	481,388	464,769	481,388
Other Assets and Liabilities				
Other current assets	26,505	27,805	26,505	27,805
Other non-financial non-current assets	1,776	2,204	1,776	2,204
Shareholdings	18,702	16,751	18,702	16,751
Sundry payables and other non-current liabilities	2,326	3,612	2,326	3,612
Trade payables	29,600	35,112	29,600	35,112
Other liabilities	94,356	93,706	94,356	93,706

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.

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 Company 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 2014, 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 2014 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.

38. Events after the end of the year

38.1 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 asked by Barcrest to SNAI which, due to the transaction, will not be paid.

38.2 Stability Law

The Stability Law, approved by the Parliament at the end of December 2014, envisages, amongst other things, 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 a decree issued by ADM on 14 January 2015. According to the aforesaid decree, the amount related to the distribution segment for gaming machines referable to SNAI is equal to Euro 37.8 million. SNAI filed notice of appeal before the Regional Administrative Court (TAR) of Lazio to denounce the violation to the Italian and European Constitution of the request, pursuant to Art. 1, par. 649, of Law no. 190/2014, in the section which sets out the imposed payment of Euro 500 million from wagers 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 payment 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 European illegality, or b) the submission to the Council of the issue of violation 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.

39. 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	Fee pertaining to year 2014 (thousands of euro)
Accounting Audit	Parent Company's Auditor	Parent Company	473
Services of attestation	-	-	0
Services of tax consulting	-	-	0
Other services	Auditor of Parent Company (1)	Parent Company	55
	Network of Parent Company's Auditor (2)	Parent Company	138
Total			**666**

(1) This item relates to the agreed audit activities on the calculations of the financial covenants and the accounting position of the company, customer of SNAI S.p.A. – the latter were mainly performed in January 2015.
(2) This item regards (i) IT assistance on the project for the assessment within the revenue assurance services (ii) support services in the audit of management processes and control activities, pursuant to Law 262 (iii) support services in the analysis of the management performance of a company, customer of SNAI S.p.A. - the latter was mainly performed in January 2015.
(3)

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.
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.

for the Board of Directors
Giorgio Sandi
(Chairman and Managing Director)

Milan, 17 March 2015

*****

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 31.12.2013					Merger	CHANGES IN THE YEAR							NET AMOUNTS AS OF 31.12.2014	% owned
	HISTORICAL COST	WRITE-UPS	*note*	WRITE-DOWNS	NET VALUE		ACQUISITIONS / COVERAGE OF LOSSES	DISPOSALS/ SALES	CHANGES IN SHARE CAPITAL	WRITE-UPS -	WRITE-UPS +	WRITE-DOWNS -	WRITE-DOWNS +		
SHAREHOLDINGS															
SHAREHOLDINGS IN SUBSIDIARIES & AFFILIATES:															
- SOCIETA' TRENNO S.r.l.	9,218		*(1)*	(7,538)	1,680		5,000						(2,971)	3,709	100
- IMMOBILIARE VALCARENGA S.R.L.	228				228									228	100
- FESTA S.R.L.	1,000				1,000									1,000	100
- TELEIPPICA S.R.L.	12,241				12,241									12,241	100
- TESEO SRL in liquidazione	723		*(2)*	(723)	-		1						(1)	-	100
- SNAI OLE' S.A.	61		*(3)*	(61)	-									-	100
- 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		*(4)*	(463)	186									186	27.78
- CONNEXT S.R.L. in liquidation	77		*(5)*		77								(77)	-	25
TOTAL SHAREHOLDINGS IN SUBSIDIARIES AND AFFILIATES:	**25,537**	**-**		**(8,833)**	**16,704**	**-**	**5,001**	**0**	**-**	**-**	**-**	**-**	**(3,049)**	**18,656**	
SHAREHOLDINGS IN OTHER COMPANIES:															
- TIVU + S.p.A. in liquidation	101		*(2)*	(101)	0									0	-
- LEXORFIN S.R.L.	46				46									46	2.44
TOTAL SHAREHOLDINGS IN OTHER COMPANIES:	**46**	**-**		**0**	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**	
TOTAL	**25,583**	**-**		**(8,833)**	**16,750**	**-**	**5,001**	**0**	**-**	**-**	**-**	**-**	**(3,049)**	**18,702**	

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 2015, of part of the amount due from the company Trenno S.r.l. to the shareholder SNAI S.p.A..

On 31 December 2014, the shareholding was written down to reflect the impairment loss reported in the year.

(2) 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.) the entire shareholding in Tivu + 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, is entirely written-down and the provision for risks was adjusted to the maximum charge foreseen for the liquidation.

(3) The shareholding was entirely written-down on 31 December 2011. 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 following write-off of the company.

(4) 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.

(5) 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.

Schedule 2

List of subsidiaries

NET INCOME AS OF 31/12/2014 (*)	PRO-QUOTA PROFIT/(LOSS)	UNIT PAR VALUE SHARES/QUOTAS OWNED	SHARE CAPITAL	SHAREHOLDINGS	REG. OFFICE	SHARES/QUOTAS OWNED	ACQUISITION VALUE	ADJUSTMENT PROVISION	SHAREHOLDING DIRECT	SHAREHOLDING INDIRECT	SHAREHOLDING TOTAL	SHAREHOLDERS' EQUITY AS OF 31/12/2014	PRO-QUOTA SHAREHOLDERS' EQUITY	Note
Euro/000	Euro/000	Euro	Euro/000			Qty	Euro/000	Euro/000	%	%	%	Euro/000	Euro/000	
(2,876)	(2,876)	1,932,230	1,932	SOCIETA' TRENNO S.R.L.	MILAN	1	14,218	(10,509)	100		100	3,709	3,709	
585	585	2,540,000	2,540	TELEIPPICA S.R.L.	PORCARI	1	12,241		100		100	11,699	11,699	
8	8	0.5	51	IMMOBILIARE VALCARENGA S.r.l.	MILAN	98,000	228		100		100	348	348	
1,561	1,561	358,699	359	FESTA S.R.L.	PORCARI	1	1,000		100		100	2,343	2,343	
(455)	(455)	1	61	SNAI OLE' S.A.	MADRID	61,000	61	(61.00)	100		100	(838)	(838)	(1)
(43)	(43)	1,032,000	1,032	TESEO S.R.L. in liquidation	PALERMO	1	724	(724)	100		100	14	14	(2)
1,220	**(1,220)**		**5,975**				**28,472**	**(11,294)**				**17,275**	**17,275**	

Note:

(*) The financial statements of Società Trenno Srl, Festa Srl and Teleippica Srl 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 of 06 October 2014.

(2) The profit/loss for the year and the shareholders' equity refer to the situation reported to the liquidator as of 31/12/2013.

List of Affiliates and Other Shareholdings

REFERENCE FISCAL YEAR	NET INCOME (*)	PRO-QUOTA PROFIT/LOSS	UNIT PAR VALUE SHARES/QUOTAS OWNED	SHARE CAPITAL	SHAREHOLDINGS	REG. OFFICE	SHARES/QUOTAS OWNED	ACQUISITION VALUE	ADJUSTMENT PROVISION	SHAREHOLDING DIRECT %	SHAREHOLDING INDIRECT %	SHAREHOLDING TOTAL %	SHAREHOLDERS' EQUITY (*)	PRO-QUOTA SHAREHOLDERS' EQUITY (**)
	Euro/000	Euro/000	Euro	Euro/000			Qty	Euro/000	Euro/000				Euro/000	Euro/000
2013	(50)	(12.50)	0.51	81.6	CONNEXT S.r.l.	PORCARI	40,000	77	(77)	25		25	201	50.25
2011	(206)	(61.80)	2.00	31	SOLAR S.A.	LUXEMBOURG	4,650	9	(6)	30		30	11	3.30
2013	(2,133)	(592.55)	0.051	944.52	HIPPOGROUP ROMA CAPANNELLE S.p.A.(Former SOC. GESTIONE CAPANNELLE S.p.A.)	ROME	5,145,028	649	(463)	27.78		27.78	3,921	1,089.25
2013	(139)	(42.67)	1.00	996.3	ALFEA S.p.A. - SOC.PISANA PER LE CORSE CAVALLI	PISA	305,840	1,331	(42)	30.7		30.7	4,283	1,314.88
2013	(15)	(0.37)	36,652.5	1,500	LEXORFIN S.r.l.	ROME	1	46		2.44		2.44	1,542	37.62
	(2,543)	**(709.89)**						**2,112**	**(588)**				**9,958**	**2,495.30**

(*) 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.

Schedule 4

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 regions
Share Capital	60,748,992		-			
Capital reserves:						
Share premium reserve	11,305,699	A, B	11,305,699	181,957,107	(2) (4)	
Profit Reserves:						
Legal Reserve	1,559,328	B	-	-		

Total	11,305,699
Non-distributable portion (3)	11,305,699
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 2011, 2012 and 2013

3) Including the non-distributable portion, earmarked to cover losses for fiscal year 2014 and reserves to top up the share premium reserve required by Article 2431 of the Civil Code

4) The share premium reserve is posted net of the reserves resulting from application of the IAS/IFRS accounting principles

Information on the SNAI Group's Real Property Assets

REAL PROPERTY ASSETS AS OF 31 December 2014

SURFACE	RACECOURSES	GRANDSTAND RACETRACK	HORSE STALLS	OFFICES	DWELLINGS	FIELDS AND ROADS	OTHER USES	TOTAL
	sq. m	sq. m*	sq. m	sq. m*	sq. m*	sq. m	sq. m	sq. m
SNAI S.p.A.								
Milan - Via Ippodromo 100				2,238		10,000		10,000
Milan - Via Ippodromo 41			780		230	4,026		4,806
Milan - Via Ippodromo 51			1,215		614	6,455		7,670
Milan - Via Ippodromo 134			6,180		2,150	53,820		60,000
Milan- Cottica horseracing centre			5,000		2,400	53,350	270	58,620
Milan- Trenno training track	410,500							410,500
Milan - Maura training track	250,000							250,000
Milan - Via Rospigliosi 43			6,250			14,539	130	20,919
Milan - V.le Caprilli 30 (gallop)	14,574	1,439						16,013
Porcari (LU) - Via Luigi Boccherini, 39				2,549		2,000		3,300
Porcari (LU) - Via Luigi Boccherini, 57				1,797		2,379		3,939
Milan - V.le Caprilli 30 & Via Ippodromo 67 (gallop)	551,206	8,561	3,290		1,680	10,537	160	575,434
Milan- Via dei Piccolomini 2 (trot)	121,270	17,250	5,000	936	2,000	4,295	300	130,865
Montecatini Terme -Trotting Racetrack	92,564	1,620	7,400	750	200	53,217	961	154,142
								1,706,208
IMMOBILIARE VALCARENGA S.r.l.								
Milan - Via Ippodromo 165			1,420		1,465	25,655	25	27,100
								27,100
FESTA S.r.l.								
Porcari (LU) - Via Lucia, 7							3,440	**3,440**
	1,440,114	**28,870**	**36,535**	**6,948**	**10,739**	**240,273**	**6,608**	**1,736,748**

The surface areas reported in this column are not on ground level and are not taken into account in the "Total" column.

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

1. The undersigned, Giorgio Sandi, in his capacity as President and Managing Director of SNAI S.p.A. and Marco Codella in his capacity as Executive Responsible for the preparation of the corporate and accounting documents of SNAI S.p.A. certify, taking into account the provisions of art.154 – bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:

   - The adequacy in consideration of the company's characteristics
     and
   - The effective application

of the administrative and accounting procedures for the preparation of the financial statement as of and for period ended 31.12.2014.

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

3. We also certify that:
   3.1 the annual financial statement:
   a) is prepared in compliance with international accounting standards recognized in the European Community pursuant to EC regulation no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
   b) reflects the data set forth in the accounting books and records;
   c) is adequate to provide a truthful and accurate representation of the balance sheet and economic and financial condition of the issuer and the companies included within 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, as well as a description of the main risks and uncertainties to which it is 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, 17 March 2015

The President and Managing Director

(Giorgio Sandi)

The Executive Responsible for the preparation of the corporate and accounting documents

(Marco Codella)

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SNAI Group
Consolidated Financial statements as at 31.12.2014 and Explanatory Notes

Approved by the Board of Directors
of SNAI S.p.A.

Milan, 17 March 2015

SNAI S.p.A.
Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro 60,748,992.20 fully paid in
Tax Code 00754850154 - VAT no. 01729640464
Register of Companies in Lucca and Lucca REA no. 00754850154

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SNAI GROUP: CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2014 AND EXPLANATORY NOTES

SNAI Group - Consolidated Comprehensive Income Statement

amounts in thousands of Euro	**Note**	**Year 2014**	**of which Related Parties note 34**	**of which non-recurring note 36**	**Year 2013**	**of which Related Parties note 34**	**of which non-recurring note 36**
Revenues from sales and services	4	526,203	1		477,535	38	
Other revenue and income	5	1,278	7		1,228	8	
Change in inventory of finished and semi-finished products		0			107		
Raw materials and consumables	6	(917)			(1,162)	(6)	
Costs for services and use of third party assets	7	(358,015)	(692)		(324,470)	(1,347)	
Costs of personnel	8	(35,969)			(36,891)		
Other operating costs	9	(40,468)	(15)		(102,579)	(16)	(67,798)
Capitalised internal construction costs	10	1,539			1,337		
Earnings before interest, tax, depreciation and amortisation		**93,651**			**15,105**		
Amortisation, depreciation and write-downs	11	(58,669)			(54,867)		
Other provisions	28	(72)			(2,039)		
Earnings before interest and taxes		**34,910**			**(41,801)**		
Gains and expenses from shareholdings		(548)			(398)		
Financial income		1,742			1,267		
Financial expenses		(60,138)			(59,983)		(2,749)
Total financial income and expenses	12	**(58,944)**			**(59,114)**		
PROFIT/(LOSS) BEFORE TAXES		**(24,034)**			**(100,915)**		
Income tax	13	(2,048)			6,385		
Profit/(loss) for the year		**(26,082)**			**(94,530)**		
(Loss)/profit from re-measurement on defined benefit plans after taxes		(288)			76		
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes		**(288)**			**76**		
Net (loss)/profit from derivatives as cash flow hedges		2,124			2,572		
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes		**2,124**			**2,572**		
Total profit/(loss) in comprehensive income statement, after taxes	24	**1,836**			**2,648**		
Total profit (loss) for the year		**(24,246)**			**(91,882)**		
Attributable to:							
Profit (loss) for the year pertaining to the Group		(26,082)			(94,530)		
Profit (loss) for the year pertaining to Third Parties		0			0		
Total profit (loss) for the year pertaining to the Group		(24,246)			(91,882)		
Total profit (loss) for the year pertaining to Third Parties		0			0		
Basic earnings (loss) per share in Euro	25	(0.22)			(0.81)		
Diluted earnings (loss) per share in Euro	25	(0.22)			(0.81)		

SNAI Group - Consolidated balance sheet

amounts in thousands of Euro	Note	31.12.2014	of which Related Parties note 34	31.12.2013	of which Related Parties note 34
ASSETS					
Non-current assets					
Property, plant and equipment owned		140,142		143,378	
Assets held under financial lease		3,782		9,405	
Total property, plant and equipment	14	**143,924**		**152,783**	
Goodwill		231,531		231,531	
Other intangible assets		102,857		135,292	
Total intangible assets	15	**334,388**		**366,823**	
Shareholdings measured using the equity method		2,318		2,866	
Shareholdings in other companies		46		46	
Total shareholdings	16	**2,364**		**2,912**	
Deferred tax assets	17	80,004		75,086	
Other non-financial assets	20	1,967		2,413	
Financial Assets	21	1,244		0	
Total non-current assets		**563,891**		**600,017**	
Current assets					
Inventories	18	486		1,329	
Trade receivables	19	58,486		75,604	6
Other assets	20	24,509	1	26,687	1
Current financial assets	21	19,663		19,414	
Cash and cash equivalents	22	68,629		45,499	
Total current assets		**171,773**		**168,533**	
TOTAL ASSETS		**735,664**		**768,550**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity pertaining to the Group					
Share Capital		60,749		60,749	
Reserves		13,434		106,128	
Profit/(loss) for the year		(26,082)		(94,530)	
Total Shareholders' Equity pertaining to the Group		**48,101**		**72,347**	
Shareholders' Equity pertaining to minority interests					
Total Shareholders' Equity	23	**48,101**		**72,347**	
Non-current liabilities					
Post-employment benefits	26	4,602		4,387	
Non-current financial liabilities	27	464,769		481,388	
Deferred tax liabilities	17	58,593		53,675	
Provisions for risks and charges	28	10,838		16,617	
Sundry payables and other non-current liabilities	29	2,336		3,623	
Total non-current liabilities		**541,138**		**559,690**	
Current liabilities					
Trade payables	30	32,385	201	37,539	1,008
Other liabilities	29	91,117	484	91,467	74
Current financial liabilities		3,371		7,507	
Current portion of long-term borrowings		19,552		0	
Total financial liabilities	27	**22,923**		**7,507**	
Total current liabilities		**146,425**		**136,513**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**735,664**		**768,550**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in thousands of Euro)

	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve (IAS 19)	Profit (loss) carried forward	Profit (loss) for the year	Total Shareholders' Equity Group	Total Shareholders' Equity Third	Total Shareholders' Equity
Balance as of 01.01.2013		60,749	1,559	154,345	(6,820)	(508)	(2,536)	(42,560)	164,229	0	164,229
Loss for fiscal year 2012				(46,063)			3,503	42,560	0		0
Profit/(loss) for the year								(94,530)	(94,530)		(94,530)
Other comprehensive profit/(loss)	24				2,572	76			2,648		2,648
Net amounts as of 31.12.2013		0	0	0	2,572	76	0	(94,530)	(91,882)		(91,882)
Balance as of 31.12.2013		**60,749**	**1,559**	**108,282**	**(4,248)**	**(432)**	**967**	**(94,530)**	**72.347**	**0**	**72.347**

	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve (IAS 19)	Profit (loss) carried forward	Profit (loss) for the year	Total Shareholders' Equity	Total Shareholders'	Total Shareholders'
Balance as of 01.01.2014		60,749	1,559	108,282	(4,248)	(432)	967	(94,530)	72,347	0	72,347
Loss for fiscal year 2013	23			(94,336)			(194)	94,530	0		0
Profit/(loss) for the year								(26,082)	(26,082)		(26,082)
Other comprehensive profit/(loss)	24				2,124	(288)			1,836		1,836
Net amounts as of 31.12.2014		0	0	0	2,124	(288)	0	(26,082)	(24,246)		(24,246)
Balance as of 31.12.2014		**60,749**	**1,559**	**13,946**	**(2,124)**	**(720)**	**773**	**(26,082)**	**48,101**	**0**	**48,101**

SNAI Group - Consolidated Cash Flow Statement

	amounts in thousands of Euro	Note	31.12.2014	of which Related Parties note 34	31.12.2013	of which Related Parties note 34
A.	**CASH FLOW FROM OPERATIONS**					
	Profit (loss) for the year pertaining to the Group		(26,082)		(94,530)	
	Profit (loss) for the year pertaining to Third Parties		0		0	
	Amortisation, depreciation and write-downs	11	58,669		54,867	
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	17	(695)		(6,686)	
	Change in provision for risks	28	(5,779)		(8,519)	
	(Capital gains) capital losses from non-current assets (including shareholdings)		1,085		86	
	Portion of earnings pertaining to shareholdings measured using the equity method (-)	12	548		398	
	Net change in sundry non-current trade assets and liabilities and other changes	20-29	(841)		1,600	
	Net change in current trade assets and liabilities and other changes	18-19-20 -30-29	14,635	(391)	24,926	942
	Net change in post-employment benefits	26	(182)		(698)	
	CASH FLOW FROM (USED IN) OPERATIONS (A)		**41,358**		**(28,556)**	
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Investments in property, plant and equipment (-)	14	(10,844)		(20,780)	
	Investments in intangible assets (-)	15	(7,746)		(19,028)	
	Proceeds from the sale of tangible, intangible and other non-current assets		130		207	
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		(18,460)		(39,601)	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Change in financial receivables and other financial assets	21	(1,493)		(9,165)	
	Change in financial liabilities	27	1,735		(19,226)	
	Repayment of financing	27	0		(4,600)	
	Opening/disbursement of loans	27	0		57,498	
	Redemption of loans	27	0		(421,748)	
	Issue of bond loans	27	0		515,000	
	Repayment of bond loans	27	0		(15,000)	
	Changes in debts to betting agencies deferred through purchase of "concession" business units	27	(10)		(113)	
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		232		102,646	
D.	**CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)**					
E.	**TOTAL CASH FLOW (A+B+C+D)**		23,130		34,489	
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**		45,499		11,010	
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**					
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**	**22**	**68,629**		**45,499**	
	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		45,499		11,010	
	Bank overdrafts					
	Discontinued operations					
			45,499		**11,010**	
	CASH AND CASH EQUIVALENTS LESS 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**	

Interest expenses paid over 2014 amounted to around Euro 48,787 thousand (Euro 27,462 thousand in 2013).
Taxes paid over 2014 amounted to around Euro 237 thousand (Euro 715 thousand in 2013).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Relevant accounting standards

Consolidation scope

SNAI S.p.A. (hereinafter also referred to as the “Parent 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 at 31 December 2014 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. Held by a sole quotaholder
- Festa S.r.l. Held by a sole quotaholder
- Immobiliare Valcarenga S.r.l. Held by a sole quotaholder
- SNAI Olè S.A. in liquidation
- Teleippica S.r.l. Held by a sole quotaholder

The consolidation scope remained unchanged with respect to 31 December 2013.
The financial statements of the companies included in the consolidation scope ended 31 December, coinciding with the Parent company’s year-end. Such financial statements are opportunely reclassified and corrected in order to align them with the IFRS accounting standards and valuation criteria used by the Parent Company (reporting package). Such financial statements and reporting packages were approved by the respective management bodies. It is noted that with regards to affiliates measured using the equity method, estimates made are as follows: for Connext S.r.l., the financial statements as at 31 December 2013, appropriately corrected to take into account possible IFRS effects and the effects of the liquidation underway were used, for Alfea S.p.A. and Hippogroup Roma Capannelle S.p.A. the expected year-end figures as at 31 December 2013 were used.

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., held by a sole quotaholder, and Immobiliare Valcarenga S.r.l., held by a sole quotaholder, in application of the resolution on merger made by the competent bodies on 28 and 31 July 2014. 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. The merger had no impact on the consolidated financial statements as it was an intercompany operation.
The consolidated financial statements as at 31 December 2014 were approved by the directors of the Parent Company at the board of directors’ meeting held on 17 March 2015 and then authorized for publication as provided by law.

1.1 Directors’ estimates related to the going concern requirements

The capital, financial position and operating results of the SNAI Group are characterised by: (i) negative results, partly due to the effects of unforeseeable phenomena, 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, with respect to the financial statements as at 31 December 2014, the Group reported a net loss of Euro 26.1 million and shareholders’ equity decreased to Euro 48.1 million. Net financial indebtedness, equal to Euro 419.1 million, is mainly composed of bond loans issued and subscribed on 4 December 2013, to be repaid in 2018.
The Directors report that Earnings Before depreciation and amortisation, write-downs, financial income/expenses, taxes for the year were better than in the same period of the previous year and, in general, substantially in line with expectations, excluding some allocations on specific issues to the provision for doubtful receivables which became necessary at year end. The differences compared to the forecast business performance stem from certain major factors: i) the excellent results of new bets on virtual events; ii) lower than expected revenues from sports betting, as a result of the lower wagers and a better payout, which reached 79.1%; iii) lower revenues and margins generated by the Gaming Machines segment, in which there was a delay in introducing games with reduced payouts; iv) the performance of the skill games, which was below expectations in terms of revenues.
The Directors prepared a strategic plan for 2014-2016 years (the “2014-2016 Plan” or the “Plan”), approved last 14 March 2014, whereby, at the end of the three-year period, revenues and margins will have grown significantly and a positive economic result will be achieved, whilst the consolidated Shareholders’ Equity will be substantially unchanged with respect to 2013, there will be adequate operating cash flows to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Company is not likely to generate the necessary resources to entirely repay bond loans in 2018.
In the meeting of the BoD held on 12 March 2015, the Plan itself was recently updated to take account of the negative effects resulting from regulations introduced by the Stability Law approved in December 2014, the performance of the distribution network and further actions to support the business. The results achieved with the plan updating, however, do not differ significantly from the previously approved plan. Forecasts for 2015 were also supplemented to reflect the equity, economic and financial effects of the Barcrest transaction occurred in the first months of the new year (as better described in paragraph "Events after the end of the year").

Within this framework, with a reduced Shareholders' Equity , which limits the Company's ability to absorb further losses, and negative effects and uncertainties generated by the new rules set out by the Stability Law, the Company reacted with significant growth expectations in terms of wagers, which will affect revenues and margins, based on a number of initiatives. The latter include a strong increase in the Live and On Line offer, wider offers related to virtual events, also through the use of a high number of rights currently available, as well as the continuation of the reallocation plan of VLT terminals to better performing locations. Moreover, the company's performance should also benefit from the fact that the payout on sports betting was managed more effectively thanks to the combined effects of the new management agreement which better aligns SNAI's interests with those of the Operators, and of the improved automatic controls on the betting acceptance system, which have already helped to generate a better performance with respect to competitors.

The Plan, in its updated version as well, therefore defines a path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to: (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments, necessary to maintain the Company's Shareholders' Equity, (2) the Company's ability to obtain the necessary resources to repay and/or replace the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the occurrence of future events and the characteristics of the relevant market, including the rumoured possibility of a significant increase in taxation in the Gaming Machines sector, which could negatively affect the actual implementation of the Plan, and therefore the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

While evaluating the uncertainties identified, Directors also considered that the impact on the Group of possible unfavourable deviations, which should occur with respect to estimates for 2015, might be more easily mitigated thanks to the positive effects of the Barcrest transaction. 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 possible deviations in performance that might affect future years and, in general, the achievement of an economic, equity and financial balance.

Lastly, Directors believe that, albeit in the presence of the foregoing uncertainties, the targets set out in the Plan are reasonable and the Company has the capacity to continue its business operations in the foreseeable future, and therefore have prepared the financial statements based on the going concern assumptions.

1.2 Accounting standards

(a) General standards

The consolidated financial statements as at 31 December 2014 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 consolidated financial statements are the same as those used to prepare the consolidated financial statements as at 31 December 2013, 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 and new standards and interpretations

In accordance with paragraph 28 of IAS 8, the IFRSs that have come into effect as from 1 January 2014 and are applied by the Group are summarized and briefly illustrated below:

IAS 27 - Separate Financial Statements (reviewed in 2011)
Following the new IFRS 10 and IFRS 12 standards, IAS 27 is now limited to the accounting requirements for shareholdings in subsidiaries, joint ventures and affiliates in the financial statements. The amendment had no impact on the Group's financial statements.

IAS 28 - Investments in affiliates and Joint Ventures (reviewed in 2011)
Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Investments in Affiliates and Joint Ventures, and describes the application of the equity method to shareholdings in joint ventures, in addition to affiliates. The amendment had no impact on the Group's financial statements.

IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
The amendments clarify the meaning of "currently has a legally enforceable right of set-off". Moreover, they clarify the application of the set-off criterion under IAS 32 in the case of settlement systems (e.g., central clearing houses) that apply non-simultaneous gross settlement mechanisms. These amendments had no impact on the Group's financial statements.

IFRS 10 and subsequent amendment - Consolidated Financial Statements
IFRS 10 supersedes the section of IAS 27 of the consolidated and separate financial statements that regulates the accounting of the consolidated financial statements. They also include issues tackled in SIC-12 Consolidation - Special Purpose Entity. IFRS 10 envisages one single control model, which is applied to all companies, including special purpose entities. According to amendments introduced by IFRS 10 considerable judgement may be required in order to determine the controlled companies that must be consolidated by the controlling company. IFRS 10 had no impact on the consolidation of shareholdings owned by the Group. The amendment, made after the first endorsement of the standard, also sets out an exception for entities that are within the definition of investment entities, pursuant to IFRS 10 - Consolidated Financial Statements. This exception to consolidation requires that the investment entities measure subsidiaries at fair value recognised in the income statement. This amendment had no impact on the Group, as no entity owned by the Group can be classified as investment entity, pursuant to IFRS 10.

IFRS 11 - Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Contributions in kind by the participants in the control. IFRS 11 eliminates the option of accounting for subsidiaries jointly using the proportionate consolidation method. Jointly controlled subsidiaries which fall under the definition of a joint venture must be accounted for using the equity method instead. The amendment had no impact on the Group's financial statements.

IFRS 12 and subsequent amendment - Disclosures of Interests in Other Entities
IFRS 12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. These disclosures concern a company's shareholdings in subsidiaries, jointly controlled entities, affiliates and structured vehicles. The Group owns no shareholdings in subsidiaries in which significant minority shares are present.

Amendments to IAS 36 - Recoverable Amount Disclosure for Non-Financial Assets
These amendments remove the implications on disclosures required by IAS 36 and involuntarily introduced by IFRS 13. Moreover, these amendments require a recoverable amount disclosure of assets of CGUs for which an impairment loss has been reported or reversed during the year. The amendment had no impact on the Group.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
The amendments aim to govern situations in which a derivative designated as hedging instrument is novated by a centralized counterpart pursuant to regulations or standards. The hedge accounting can therefore continue irrespective of notation, which would not be allowed without this amendment. The amendment had no impact on the Group.

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

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

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", as well as all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment 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 Group is currently evaluating the impact of IFRS 9.

IFRS 15 Revenue from Contracts with Customers
The IFRS 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 standards 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 2017, with full or modified retrospective application. Early application is permitted. The Group is currently evaluating the impact of IFRS 15.

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 Group is expected for the application of these amendments.

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: 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 Group is expected while applying these amendments, given that the Group does not use revenue-based methods for the amortisation/depreciation of non-current assets.

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 July 2014.

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.

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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture
The amendment aims at eliminating the conflict between requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction involving an Affiliate or joint venture, the condition according to which a profit or a loss can be recognised depends on the fact that the asset being sold or transferred is a business. This amendment is effective to annual periods beginning on or after 1 January 2016. Early application is permitted.

IFRIC 21 Levies
IFRUC 12 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 IFRIC 21 should be applied retrospectively. This application of this interpretation is compulsory for financial statements beginning on or after 17 June 2014.

Annual cycle of IFRS improvements - 2010-2012
Improvements will be effective on or after 1 February 2014 and relate to the following issues:
IFRS 2: Definition of “Vesting Condition”;
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: proportionate 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 will be effective on or after 1 January 2015 and 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.

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 accounting layouts adopted by the SNAI Group for the year ended 31 December 2014 have not changed from those adopted on 31 December 2013.

Reporting format of the Financial Statements
The format adopted by the Group is the following:

Consolidated 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.

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

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 Consolidated 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.

(b) Drafting criteria

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

Uncertainty of estimates
In applying the Group's accounting standards, the directors have made decisions based upon a number of key assumptions concerning the future and other important sources of uncertainty in the estimates as at the closing date of the financial statement, which could give rise to adjustments in the carrying amounts of assets and liabilities. In particular, goodwill should be checked at least once a year for possible value impairments, which requires estimating the value in use of the cash generating units to which the goodwill is attributed, which in turn is based on the estimation of the expected cash flows from the units and their discounting based on an appropriate discount rate. The assumptions formulated for the purposes of determining the value in use of the individual cash generating units, in support of such asset values, involve a certain amount of uncertainty related to all the predictions. Therefore, they may, in the future, give rise to corrections in accounting values due to the actual realization of assumptions based upon the estimates and, more specifically, the Group's capacity to achieve its 2015 budget objectives and its multi-annual plan to 2016, as updated by the Board of Directors of SNAI S.p.A. on 12 March 2015.

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
The Group verifies, on each reporting date, whether there are indicators for reductions in value for all non-financial assets. The goodwill and the other intangible assets having an indefinite useful life are verified on an annual basis in order to identify possible write-downs and over the course of the year only if such impairment indicators exist. The other non-financial assets are tested annually for impairment if there are indications that the carrying amount might not be recovered. When the value in use has been calculated in advance, the directors must estimate the expected cash flows from the activity or cash-generating units and select an appropriate discount rate in order to calculate the current value of such cash flows. Further details and a sensitivity analysis for the key hypotheses are indicated below.

Deferred tax assets
Deferred tax assets are recognised with respect to tax loss carryovers 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
SNAI sets aside provisions mainly in connection with legal proceedings. The estimate of provisions on this matter, given the complexity of the regulatory framework under which the Group operates, is the result of a complex process which involves subjective assessments by the company's Management.

The accounting standards described 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.

Affiliates
The Affiliates 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 Affiliate is entered in the balance sheet at cost and increased by changes to the net assets of the Affiliate, after the acquisition, for the quota pertaining to the Group. The goodwill pertaining to the Affiliate 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 Affiliate's results for the year or the period. In the event that an Affiliate 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 during the consolidation process
During the consolidation process, intercompany balances transactions, revenues and costs are completely eliminated.
Earnings not realized deriving from transactions with affiliates and jointly controlled entities are eliminated proportionately to the shareholding of the group in the entity. Losses not incurred are eliminated in the same manner as earnings not realized, but only in the absence of indicators that can provide evidence of a loss of value.

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

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

(d) Property, Plant and Equipment

Owned assets
Property, plant and equipment are carried at cost or deemed cost, less accumulated depreciation and impairment (see 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. When significant portions of property, plant and equipment must be replaced periodically, the Group records such parts as autonomous assets with a specific useful life and a relate depreciation. 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, according to which all rights and benefits related to the ownership of the asset are substantially transferred to the Group, are recognised as assets at the lower of their current fair value and 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%;
- Plant and machinery: from 10% to 20%;
- Industrial and commercial equipment: from 10% to 15.5%;
- Other assets: from 12% to 33%.

The residual value of the assets, the useful economic life and the methods applied are reviewed annually and adjusted, when necessary, at the end of each year.
The assets for which transfer to the entity granting the concession is envisaged, since they do not fall within the scope of application of IFRIC 12, are depreciated at the lower term as between the useful life of the asset and the term of the concession.

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

(e) Intangible assets

Goodwill
Goodwill is initially measured at cost, which is calculated as the excess between the sum of the purchase price paid and the amount paid for minority quotas with respect to identifiable net assets acquired and liabilities undertaken by the Group. If the purchase price is lower than the fair value of the net assets of the subsidiary purchased, the difference is stated in the income statement.
Goodwill is considered to be an asset of an indefinite 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 on the basis of constant quotas throughout the useful lifetime of the same, with the exception of goodwill which is not amortized, but is regularly tested for impairment by the Group. Such testing is performed on each financial reporting date. Intangible assets with a definite useful life are amortised from the time at which the asset becomes available for use.

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

- patent rights and rights to use original works: from 10% to 65.8%;
- concessions, licences, trademarks and similar rights: from 5.56% to 33.3%;
- concessions for wagers: 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 verifies on an annual basis the carrying amounts of its assets, in order to identify any impairment. If, on the basis of such impairment testing, it is found that the assets have effectively incurred a loss of value, the Group estimates the recoverable value of the asset.
The recoverable value of goodwill, of assets with an indefinite lifetime and intangible assets not yet available for use, is estimated on each reporting date of the financial statements.
The recoverable amount is the greater of the fair value of the asset and cash-generating unit, less the cost of sale, and its value in use. The recoverable amount is determined for each individual asset except when the asset generates cash flows that are not largely independent from the cash flows generated by other assets or groups of assets.
Any impairment of cash generating units is first applied towards reducing the carrying amount of any goodwill attributed to the cash-generating unit and, thereafter, to reducing any other assets of the unit in proportion to the carrying amount of each asset that makes up the unit.

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

(g) Reinstatement of values

It is not permitted to reverse impairment of goodwill.
Except for goodwill, the impairment of an asset is reversed when there is an indication that the impairment no longer exists or a change has occurred in the valuations used to determine the recoverable amount.
The carrying amount resulting from the reinstatement of the value of an impaired asset must not exceed the carrying amount that would have been determined (less amortisation/depreciation) if the impairment of the asset had never been recognised.

(h) Inventories

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

(i) Shareholdings and other financial assets

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

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

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

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

Impairment of shareholdings in other companies and available-for-sale financial assets
The Group verifies on each financial statement date whether the shareholdings in other companies have incurred a loss in value. If the fair value cannot be reliably determined, the impairment is calculated based on appropriate valuations resulting from the investee’s financial statements.

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

Other financial assets
Other current financial assets include the balances on financial bank accounts vis-à-vis companies subject to control on the part of the same controlling company, and non-consolidated subsidiaries and the controlling company.

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

The amount of impairment is 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 Group uses derivative financial instruments such as swaps on interest rates in order to hedge its interest rate risks. Such financial derivatives are initially recognised at fair value on the date of signature of the derivative contract and

measured at fair value again thereafter. Derivatives are accounted for as financial assets when the fair value is positive or as financial liabilities when the fair value is negative.

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

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

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

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

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

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

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

Classification as current/non-current
The derivatives that are classified as effective hedge instruments, are classified consistently with the hedged underlying element. The derivative is divided into a current portion and non-current portion only if the allocation is expected to be realised.
The derivatives that are not classifiable as "effective hedge instruments" are classified as current or non-current or divided into a current portion and non-current portion, based on the assessment of the facts and circumstances (e.g., the negotiated underlying cash flows):

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

(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 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

The Group records provisions in its balance sheet when it has undertaken an obligation (whether legal or implicit) as the result of a past event and it is likely that the use of resources that produce economic benefits necessary to fulfil such obligation will be necessary.
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. if 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 agreements which substantially transfer to the Group all risks and benefits deriving from ownership of the asset leased, are capitalized on the date of commencement of the lease at the fair value of the leased asset or, if lower, the present value of the instalments. The payments are divided into principal and interest in such a way as to apply a constant interest rate to the outstanding balance of the debt. The financial expenses are allocated directly to the income statement.

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

(q) Revenues and expenses

Revenues are recorded to the extent that it is likely that the Group will attain economic benefits and their amount is determinable in a reliable manner. Revenue is presented net of any discounts, rebates and returns.
In particular, revenue from the sale of assets is recognised when the risks and benefits connected with ownership of the assets are transferred to the purchaser, the price of sale has been agreed or can be determined, and collection is planned: 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. Therefore, the wagers related to the acceptance of fixed quota and reference bets (or bets for which the Group bears a risk deriving from winnings) are stated in the financial statements under "Revenues from sales of goods and services" net of costs for the single tax, the ex ASSI withholding, winnings a refunds paid to bettors.
The revenues from accepting totalisator bets, on the other hand, are recognised on the basis of the percentage of the premium established by the agreement for the year in which the bets are placed.
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").

State Grants

Contributions from the state and other public entities consist of the grants to MIPAAF investments fund, as well as contributions to fees for services supplied by the company that operates the racetracks for the benefit of the Public Entity known as MIPAAF, which is the owner of proceeds deriving from the collection of bets on horse races at the same racetracks They are recorded at their fair value the moment in which there is reasonable certainty that they will be granted and in which the group has fulfilled all conditions necessary in order to obtain them. The grants obtained to offset the costs incurred are applied to the income statement systematically over the same periods in which the related costs are registered. The contributions obtained to offset an asset registered in the balance sheet are applied to the income statement under the item "other operating revenues" systematically based upon the useful lifetime of the related asset.

(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

The income taxes include current and deferred taxes calculate don the taxable income of the companies belonging to the Group. The income tax is recognised in the income statement, except for income related to transactions directly recognised in Shareholders' Equity, which is accounted for in equity.
The current taxes represent the estimated amount of income tax calculated on the basis of the taxable income for the year.
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 registered 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 likely that future taxable income will be available against which such assets may be used, also on the basis of the budgets of the companies belonging to the Group and the 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) 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 held for sale and discontinued operations

The Group assesses a non-current asset (or discontinued group of assets) classified as held for sale at the lower of its carrying amount and its fair value, less 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 group that represents an important autonomous business unit or geographical area of operations or is a subsidiary acquired exclusively for the purposes of a 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.

(v) Earnings per share

The base earnings per share are calculated by dividing the group’s result of operations by the weighted average of shares outstanding during the year. For purposes of the calculation of the diluted earnings per share, the weighted average of the outstanding shares is modified assuming the conversion of all potential shares having a diluting effect.

2. Agreements for services licensed

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.

Definitively, the SNAI Group 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 Article 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 adheres 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 might result in the widening of the physical collection network with a certain number of additional shops, former "CTDs" that are now regularised.

3. Operating segments

The segment reporting is presented by “operating segment”. The segment is based upon 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 Services;
- Management of Racetracks;
- Concessions;
- Television Services.

Specifically, the Group’s operations have been defined as follows:

- **Betting Services**: this segment includes operations related to the management of the racetracks, including real estate management and organization of races. These activities are essentially managed by SNAI S.p.A., Festa S.r.l., with respect to the portion related to the gaming and betting sector;
- **Management of Racetracks**: 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., Immobiliare Valcarenga S.r.l. and by 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;
- **Television Services**: this segment includes operations related to television 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 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 is the direct concession holder.

Risk related to fixed-odds bets is borne by the concession holder since the latter is committed to pay winnings and taxes, while in the case of totalisator bets, no risk is borne by the concession holder since the latter is entitled to receive only a percentage of cash movements.

	Betting Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
(amounts in thousands of Euro)	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Sector assets	**5,618**	9,142	**4,756**	6,416	**227,749**	208,253	**10,431**	13,308	**1,055**	1,962	**0**	0	**249,609**	239,081
Tangible and intangible assets	**12,629**	12,124	**102,319**	104,811	**345,891**	383,585	**3,725**	4,425	**4**	15	**0**	0	**464,568**	504,960
Unallocated tangible and intangible assets													**13,744**	14,646
Shareholdings in associates	**0**	0	**2,315**	2,814	**0**	0	**0**	0	**49**	98	**0**	0	**2,364**	2,912
Unallocated assets													**5,379**	6,951
Total Assets	**18,247**	21,266	**109,390**	114,041	**573,640**	591,838	**14,156**	17,733	**1,108**	2,075	**0**	0	**735,664**	768,550
Sector liabilities	**3,269**	3,737	**8,131**	7,762	**649,700**	649,562	**2,858**	2,780	**932**	2,318	**0**	0	**664,890**	666,159
Unallocated liabilities													**22,673**	30,044
Total Liabilities	**3,269**	3,737	**8,131**	7,762	**649,700**	649,562	**2,858**	2,780	**932**	2,318	**0**	0	**687,563**	696,203
Investments:														
Tangible and intangible assets	**713**	168	**1,521**	1,574	**13,331**	29,887	**383**	3,188	**0**	0	**0**	0	**15,948**	34,817
Unallocated tangible and intangible assets													**2,642**	4,991

INCOME STATEMENT BY BUSINESS SEGMENT

	Betting Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
(amounts in thousands of Euro)	Year 2014	Year 2013	Year 2014	Year 2013	Year 2014	Year 2013	Year 2014	Year 2013	Year 2014	Year 2013	Year 2014	Year 2013	Year 2014	Year 2013
Sector revenues	**12,551**	12,464	**6,850**	7,379	**498,215**	449,051	**9,152**	9,397	**713**	472	**0**	0	**527,481**	478,763
Inter-sector revenues	**4,515**	4,245	**202**	238	**5**	7	**3,011**	2,367	**602**	370	**(8,335)**	(7,227)	**0**	0
Sector costs	**(9,936)**	(13,861)	**(15,714)**	(17,700)	**(463,312)**	(484,795)	**(10,978)**	(9,760)	**(966)**	(1,675)	**8,335**	7,227	**(492,571)**	(520,564)
Results of operations	**7,130**	2,848	**(8,662)**	(10,083)	**34,908**	(35,737)	**1,185**	2,004	**349**	(833)	**0**	0	**34,910**	(41,801)
Quotas of results of operations pertaining to shareholdings	**0**	0	**(499)**	(334)	**0**	0	**0**	0	**(49)**	(64)	**0**	0	**(548)**	(398)
Financial (expenses) and income	**(70)**	(17)	**(63)**	(122)	**(58,226)**	(58,559)	**(28)**	(19)	**(9)**	1	**0**	0	**(58,396)**	(58,716)
Income tax													**(2,048)**	6,385
Profit/(loss) for the period													**(26,082)**	(94,530)
The results of operations include: Amortisation, depreciation and write-downs	**(510)**	(661)	**(3,962)**	(4,168)	**(53,102)**	(49,072)	**(1,083)**	(951)	**(12)**	(15)	**0**	0	**(58,669)**	(54,867)

In year 2014:

- the improvement in the results of operations for the “Betting Services” segment is mainly due to the decrease in costs of personnel and other operating costs for the disclosure in 2013 of the capital loss due to the disposal of Festa’s business unit composed of the number of assets organized for the running of outbound activities carried out at the operating site in Rome.
- the improvement in the results of operations for the "Concessions" segment is mainly related to the combined effect: i) of the recognition, in 2013, of costs borne for the settlement of the unfavourable appeal sentence no. 214/2012 on the management of the new slot network; ii) increased revenues resulting from VLTs; iii) the introduction, in December 2013, of bets on virtual events, which obtained excellent results, iv) decreased revenues of sports and horserace bets; v) reduced average number of AWP machines; vi) higher amortisation resulting from new concessions granted with the Monti call for tender and VLT concessions for machines installed in the preceding 12 months;
- the worsening in the ”Television Services“ segment is due to the application of fees connected with the new concession, compared to 2013 reporting.

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 2013.

4. Revenues from sales and services

The amount of revenues from sales of goods and services in year 2014 amounts to Euro 526,203 thousand, down from Euro 477,535 thousand, and is detailed below:

thousands of Euro	Year 2014	2013	Change
Net revenues from the collection of fixed-odds and reference sports and horse racing betting	130,342	144,841	(14,499)
Revenues from totalisator, national horse racing/sports forecast bets	20,694	25,714	(5,020)
Revenues from Gaming Machines	278,475	250,899	27,576
Net revenues from on-line games (Skill/Casino/Bingo)	19,841	25,454	(5,613)
Revenues from betting collection services	3,915	4,743	(828)
Net revenues from virtual events	44,222	1,214	43,008
Revenues from virtual event services	2,856	0	2,856
Revenues from commissions	3,662	734	2,928
Revenues from third party on-line gaming services (GAD)	8	111	(103)
Revenues from service and assistance contracts	5,028	6,073	(1,045)
Revenues from the operation of betting services at racetracks	3,968	4,152	(184)
Operation of racetrack and real estate properties	1,136	1,336	(200)
Revenues from television services and related services	9,610	9,771	(161)
Revenues from organisation and technology sales	651	427	224
Other services and sales to third parties	1,795	2,066	(271)
Total	**526,203**	**477,535**	**48,668**

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 2014	2013
Fixed-odds Sports Betting	752,847	826,970
Refunds of Fixed-odds Sports Betting	(544)	(828)
Winnings of Fixed-odds Sports Betting	(594,801)	(651,567)
Fixed-odds Sports Single Tax	(29,984)	(32,701)
Net Fixed-odds Sports Betting	**127,518**	**141,874**
Fixed-odds Horse Racing Bets and Reference Horse Racing Bets	28,213	30,947
Fixed-odds Horse Racing and Reference Horse Racing Winnings and Refunds	(209)	(209)
Fixed-odds Horse Racing and Reference Horse Racing Winnings and Refunds	(21,663)	(23,875)
Fixed-odds Horse Racing and Reference Horse Racing Single Tax	(1,157)	(1,287)
Horse Racing Withholding	(2,360)	(2,609)
Net Fixed-odds and Reference Horse Racing Betting	**2,824**	**2,967**
Total net revenues from fixed-odds and reference betting	**130,342**	**144,841**

The revenues from the sports bets decreased compared to last year, due to the higher payout and the lower amount of wagers. In 2014, the payout on sports betting amounted to approximately 79.06% compared to 78.87% in 2013.

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 278. 475 thousand in 2014, 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 7. It should be recalled that the concession holders are required to pay to AAMS (pursuant to the Law Decree no. 95 of 6 July 2012. Since 1 December 2012, the Customs incorporated the AAMS 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 an amount of Euro 14,213 paid for the "Entertainment machine guarantee deposit" in in 2014 (see Note 20).

The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. The Directors' Decree 2013/4879/GIOCHI/ADI of 06/02/2013 has established the criterion and procedures for guarantee deposit refunds for 2013. The Company SNAI, based on the assumed information and internal checks performed, considers that the service levels achieved also in 2014 are sufficient to allow the guarantee deposit to be refunded.

The following table shows the breakdown of the item "Net revenues from on-line games (Skill/Casino/Bingo)":

	Year	
thousands of Euro	**2014**	**2013**
On-line Skill and Casino Games	737,903	998,711
Winnings	(711,866)	(965,171)
Single Tax	(6,196)	(8,086)
Net revenues from on-line games (Skill/Casino/Bingo)	**19,841**	**25,454**

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 (former ASSI, now absorbed into MIPAAF) for the television broadcasting of horse races at the points of acceptance of horse racing betting.

5. Other revenue and income

The other revenue and income item, equal to Euro 1,278 thousand in 2014 (Euro 1,228 thousand in 2013) breaks down as follows:

	Year		
thousands of Euro	**2014**	**2013**	**Change**
Rental of assets and chargeback expense	164	206	(42)
Active trading	59	0	59
Revenue from compensation and reimbursement for damages	111	225	(114)
Grants to UNIRE investments fund	53	60	(7)
Capital gain from the sale of assets	118	46	72
Other revenue and income	773	691	82
Total	**1,278**	**1,228**	**50**

6. Raw materials and consumables

The cost of raw materials and consumables amounted to a total of Euro 917 thousand in the year (Euro 1,162 thousand in 2013), mainly related to materials used in bet collection, technology and the furnishings installed in the new points of sales.

7. Costs for services and use of third party assets

Costs for services and use of third party assets amounted to a total of Euro 358,015 thousand in the year (Euro 324,470 thousand in 2013) and are detailed below:

thousands of Euro	Year 2014	2013	Change
Betting acceptance management	71,722	78,855	(7,133)
Gaming Machine services	205,897	184,558	21,339
On-line games management (Skill/Casino/Bingo)	4,782	5,706	(924)
Bookmakers	1,852	1,819	33
On-line gaming services	6,317	6,560	(243)
Virtual events management costs	20,989	1,001	19,988
Management of Racetracks	1,090	1,091	(1)
Television and radio services	7,716	6,613	1,103
Rent of stations	385	405	(20)
Consultancy cost and expense reimbursements	3,924	4,096	(172)
Utilities and telephone	7,199	7,880	(681)
Equipment repair and maintenance	8,393	8,897	(504)
Advertising and promotion	6,161	5,192	969
Installations, logistics and design	1,384	1,396	(12)
Personnel costs for collaborations and other	421	176	245
Insurance and guarantees	1,504	1,816	(312)
Market research	526	696	(170)
Marketing materials	481	514	(33)
Rental fees and additional charges	778	862	(84)
Operating leases and other leasing	1,009	863	146
Directors' fees	1,725	1,557	168
Independent Auditors' fees	619	612	7
Statutory Auditors' fees	247	246	1
Regulation authority and other committees fees	170	141	29
Expense reimbursement to directors and auditors	36	42	(6)
Other	2,688	2,876	(188)
Total	**358,015**	**324,470**	**33,545**

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 78,855 thousand in 2013 to Euro 71,722 thousand in 2014. This decrease results from a lower collection on sports and horseracing bets in the physical network;
- costs for Gaming Machine services (for a total of Euro 205,897 thousand compared to Euro 184,558 thousand in 2013) comprise fees paid to third party operators charged of wagers and running costs for VLT platforms;
- operating costs for on-line virtual races, equal to Euro 20,989 thousand, which include costs related to the operator and the platform.

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.

8. Costs of personnel

The costs of personnel reached a total of Euro 35,969 thousand in 2014, as compared to Euro 36,891 thousand in 2013, a decrease of Euro 922 thousand (--2.5%) mainly due to the decrease in the allocation of leaving incentives for employees or managers who were terminated and the stabilization of the company turnover.

thousands of Euro	Year 2014	2013	Change
Salaries and wages	24,832	24,416	416
Social security expenses	7,598	7,406	192
Accrual to defined-benefit/defined-contribution plans	1,554	1,551	3
Costs for personnel training	147	78	69
Expense reimbursement to employees	649	593	56
Meal tickets	779	728	51
Other costs of personnel	410	2,119	(1,709)
Total	**35,969**	**36,891**	**(922)**

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 at year-end is illustrated by the following table, which shows an increase of 16 individuals relative to 31 December 2013, mainly due to implementation of the Parent Company's “core business” structures.

	31.12.2013		Hired in the year	Left during the year	31.12.2014		Average workforce for the year
Executives	22		6	1	27		24
Office workers and middle managers	581		88	71	598		606
Blue-collar workers	71		0	6	65		67
Total Employees	674	*	94	78	690	**	697

* of whom 103 part-time and 6 on maternity leave

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

9. Other operating costs

Other operating costs amounted to a total of Euro 40,468 thousand in year 2014 (Euro 102,579 in year 2013).

	Year		
thousands of Euro	**2014**	**2013**	**Change**
Concessions and licenses	15,160	15,683	(523)
Settlement by the Court of Auditors	0	63,000	(63,000)
Administration fines	396	3,678	(3,282)
% non-deductible VAT	5,533	4,406	1,127
Provision for doubtful receivables	15,693	9,071	6,622
Credit losses	1,622	982	640
Utilisation of provision for doubtful receivables and for risks	(3)	(9)	6
Release of provision for technological upgrading	(2,591)	0	(2,591)
Provision for risks	448	293	155
Entertainment expenses	162	198	(36)
Subscription fees	229	217	12
Other taxes	589	607	(18)
IMU (real estate tax)	1,061	1,260	(199)
Stationery, consumables and promotional materials	297	538	(241)
Environmental and health controls	109	100	9
Losses on settlement of disputes	166	280	(114)
Capital losses from sale of assets	1,203	1,678	(475)
Other administration and operating costs	394	597	(203)
Total	**40,468**	**102,579**	**(62,111)**

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on gaming machines of Euro 8,581 thousand, calculated at 0.30% of the volume wagered and paid to ADM on a bimonthly basis;
- 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 5,393 thousand;
- the concession fee for remote public gaming, in the amount of Euro 659 thousand;
- the television licence fees in the amount of Euro 352 thousand.

In 2014, a provision for doubtful receivables was recognised in the amount of Euro 15,693 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 2014, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 448 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 2,591 thousand.

The "% non-deductible VAT", equal to Euro 5,533 thousand, relates to particular operations performed by SNAI S.p.A., by Festa S.r.l. and by Società Trenno 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., Festa S.r.l. and Società Trenno S.r.l. have 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.

Capital losses from sale of assets, equal to Euro 1,203 thousand, mainly relate to the scrapping of assets no longer used carried out by the Parent company.

10. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 1,539 thousand in 2014 (Euro 1,337 thousand in 2013) are essentially related to software generated internally for:

- IT systems supporting the Business lines (Business Intelligence);
- centralized systems and peripheral terminals for the acceptance of bets;
- centralized systems for the management of relations with AAMS and client invoicing services for gaming machines;
- centralized systems, gaming interfaces and integration protocols for on-line wagers through SnaiCards;
- networking solutions supporting the Business lines;
- development and strengthening of the company ERP;
- centralized and peripheral systems for the operation of additional services at points of sale;
- centralized systems and web interfaces for the integration and sale of Skill games (tournament poker, cash poker, casino games, slot games);
- web-based solutions for information for the Operator, knowledge base, manuals, how-to, integration with the system for requests for intervention and sourcing of consumables (SnaiPartner);
- viewing systems for the point of sale (new graphics pages, Intuition project);
- centralized systems for the management of contacts with AAMS, reporting, customer services (VLT);
- Gaming control systems (SnaiProfit);
- Implementation of the new company CRM;
- Betting Shop Management system (MyWeb);
- System for the acceptance of bets on Virtual Events;
- Implementation of new acceptance solutions of self-service games;
- Proactive monitoring and control systems of peripheral components;
- Displaying and Signage Systems for VLT shops (Agencies, Arcades);
- AWP operating portals for owners and operators (SnaiPartner);
- Development of PDA installation automatic systems for AWP operators (SnaiPartner);
- Management systems and consoles for betting and risks on QF sales (Quota Life Cycle, Pre-match Console and Live console);
- IT systems in automatic betting shops (MyWeb - Quota Tables)
- New game interfaces and new displays for betting shops (snaiBox)

11. Amortisation, depreciation and write-downs

These amount to a total of Euro 58,669 thousand for 2014 (Euro 54,867 thousand in 2013), as detailed below:

thousands of Euro	Year 2014	2013	Change
Amortisation of intangible assets	41,034	34,955	6,079
Depreciation of property, plant and equipment	17,517	19,384	(1,867)
Write-downs	118	528	(410)
Total	**58,669**	**54,867**	**3,802**

Further information regarding the above is provided in the Notes 14 and 15, “Property, plant and equipment” and “Intangible assets”.

12. Financial income and expenses

Net financial expenses for 2014 amounted to Euro 58,944 thousand, down by Euro 170 thousand over 2013, as detailed below:

thousands of Euro	Year 2014	2013	Change
Gains and expenses from shareholdings			
Write-up/(write-down) Alfea S.p.A.	(33)	(70)	37
Write-up/(write-down) Hippogroup Roma Capannelle S.p.A.	(466)	(264)	(202)
Write-up/(write-down) Solar S.A.	0	(50)	50
Write-up/(write-down) shareholding in Connext S.r.l.	(49)	(14)	(35)
	(548)	**(398)**	**(150)**
Financial income			
Gains on foreign exchange	2	6	(4)
Bank interest income	1,490	867	623
Misc. interest income	250	394	(144)
	1,742	**1,267**	**475**
Financial expenses			
Interest expense on loans	0	36,795	(36,795)
Interest expense on bond loan	49,650	4,085	45,565
Other interest expense	299	3,079	(2,780)
Exchange rate losses	14	6	8
Interest expense and ancillary charges on leasing	2,713	6,830	(4,117)
Interest expense on post-employment benefits	119	128	(9)
Financial expenses on debt discounting	0	2	(2)
Ineffective portion of cash flow hedge	0	10	(10)
Other financial expenses	7,343	9,048	(1,705)
	60,138	**59,983**	**155**
Total	**(58,944)**	**(59,114)**	**170**

Financial income includes interest income accrued on bank accounts in the amount of Euro 1,490 thousand and other interest income for Euro 250 thousand 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 49,650 thousand of which Euro 4,242 thousand can be attributed to ancillary costs. These amounts are related to bond loans issued on 8 November 2013 and 4 December 2013, and amounting to Euro 500,000 thousand (for further details on bond loans reference is made to Note 27);
- interest expense calculated on financial leasing in the amount of Euro 1,865 thousand and ancillary charges on leasing for Euro 848 thousand, including non-deductible VAT;

- other financial expenses, including Euro 2,930 thousand of release of the portion pertaining of the cash flow hedge reserve related to hedge derivatives existing in 2013, Euro 2,629 thousand of commissions on bank guarantees, Euro 656 thousand of commissions payable on revolving loans and Euro 904 thousand of bank charges.

13. Income tax

Current income taxes, inclusive of IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded in year 2014, show a negative balance of Euro 2,048 thousand.

thousands of Euro	Year 2014	Year 2013
IRES	0	0
IRAP	2,745	285
Allocation to provision for deferred tax liabilities	5,197	6,364
Use of provision for deferred tax liabilities	(279)	(839)
Deferred tax assets	(7,791)	(15,303)
Reversal of deferred tax assets	2,175	3,092
IRES/IRAP for prior years	1	16
Total	**2,048**	**(6,385)**

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the 2014 financial statements and the theoretical tax charge (in thousands of Euro):

		31.12.2014		31.12.2013
Profit before tax		(24,034)		(100,915)
Theoretical IRES tax charge	*27.50%*	6,609	*27.50%*	27,752
Theoretical IRAP tax charge	*5.12%*	1,231	*5.12%*	5,167
Total Theoretical tax (charge)/credit		**7,840**		**32,918**
Fines, penalties and other taxes		(343)		(1,226)
Other permanent non-deductible costs		(4,603)		(18,339)
Other permanent tax deductions		289		142
		3,183		**13,495**
IRAP permanent differences (including employees)		(5,230)		(7,094)
		(2,047)		**6,401**
Tax and duties for prior year		(1)		(16)
Actual tax (charge)/credit	*8.52%*	**(2,048)**	*-6.33%*	**6,385**

For further details on the effects deriving from the tax burden and the tax consolidation regime, reference is made to Note 17 “Deferred tax assets and deferred tax liabilities” of these explanatory notes.
The last year finalised for tax purposes was the year 2009.

Reference is made to paragraph 28 for further details on tax disputes.

Notes to the main items of the consolidated 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 2013.

14. Property, plant and equipment

Property, plant and equipment as at 31 December 2014 amounted to Euro 143,924 thousand (Euro 152,783 thousand). The change in the year is due to the combined effect of the depreciation charge for the year (Euro 17,517 thousand), investments (Euro 10,844 thousand), reclassification, less accumulated depreciation (Euro 859 thousand), impairment write-downs (Euro 118 thousand) and disposals, net of accumulated depreciation (Euro 1,209 thousand).

In thousands of Euro	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Cost						
Balance as at 31 December 2013	**141,434**	**170,165**	**7,231**	**26,036**	**112**	**344,978**
Reclassification	(2)	(1,032)	2	185	(112)	(959)
Other increases	1,061	8,165	125	704	789	10,844
Decreases	0	(7,048)	(11)	(4,578)	0	(11,637)
Balance as at 31 December 2014	**142,493**	**170,250**	**7,347**	**22,347**	**789**	**343,226**
Depreciation and impairment losses						
Balance as at 31 December 2013	**33,826**	**136,216**	**6,829**	**15,324**	**0**	**192,195**
Annual depreciation	3,112	11,861	136	2,408		17,517
Write-downs	0	0		118		118
Disposals	0	(6,931)	(11)	(3,486)		(10,428)
Reclassification	0	(186)	0	86	0	(100)
Balance as at 31 December 2014	**36,938**	**140,960**	**6,954**	**14,450**	**0**	**199,302**
Carrying amounts						
As at 31 December 2013	107,608	33,949	402	10,712	112	152,783
As at 31 December 2014	105,555	29,290	393	7,897	789	143,924

"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 2014, in the amount of Euro 10,844 thousand, mainly relate to:

- “Land and buildings”, in the amount of Euro 1,061 thousand, relate mainly to improvements to buildings and other structures at the Ippodromo del Galoppo [Milan gallop racetrack];
- "Plant and equipment", in the amount of Euro 8,165 thousand, relate for Euro 6,707 thousand to technology loaned free of charge to the sales points, for Euro 407 thousand to electro-thermal and electric plant, for Euro 109 thousand to hardware and interconnection network for the betting shops, for Euro 251 thousand to radio links, Euro 19 thousand to broadcasting, synchronism and control equipment, for Euro 158 thousand to implementation of a gallop directing plant and for Euro 514 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and to other plant and equipment necessary for the conduct of the various business operations of the Group companies;
- "Industrial and commercial equipment", in the amount of Euro 125 thousand, related to equipment for Group racetracks;
- "Other assets", in the amount of Euro 704 thousand, relate for Euro 555 thousand to furnishings and fittings provided free of charge to the betting shops and to shops managed directly by the Group, for Euro 134 thousand to head office furnishings and fittings and other assets and for Euro 14 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 between now and June 2017. 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 amortization provision, as at 31 December 2014, of Euro 982 thousand.

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

thousands of Euro	**Total**
Total amounts as at 31.12.2014	1,273
of which	
Payments falling due within 12 months	761
Payments falling due between 1 to 5 years	512
Payments falling due after 5 years	-
Redemption	792

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

15. Intangible assets

Intangible fixed assets as at 31 December 2014 amounted to Euro 334,388 thousand (Euro 366,823 thousand). The change over the year is due to the combined effect of amortisation for the year for Euro 41,034 thousand, net disposals for Euro 6 thousand, reclassifications of property, plant and equipment for Euro 859 thousand and investments of Euro 7,746 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 at 31 December 2013	**231,605**	**252,958**	**14,461**	**15,593**	**2,085**	**516,702**
Reclassification		1,408	0	1,301	(1,750)	959
Other increases		2,423	1,989	3,294	40	7,746
Decreases	0	0	(20)	(294)	0	(314)
Balance as at 31 December 2014	**231,605**	**256,789**	**16,430**	**19,894**	**375**	**525,093**
Amortisation and impairment losses						
Balance as at 31 December 2013	**74**	**127,366**	**11,910**	**10,529**	**0**	**149,879**
Annual amortisation		36,982	1,066	2,986		41,034
Write-downs		0	0	0		0
Disposals		0	(20)	(288)		(308)
Reclassification		0	0	100		100
Balance as at 31 December 2014	**74**	**164,348**	**12,956**	**13,327**	**0**	**190,705**
Carrying amounts						
As at 31 December 2013	231,531	125,592	2,551	5,064	2,085	366,823
As at 31 December 2014	231,531	92,441	3,474	6,567	375	334,388

The historical cost and related accumulated amortisation of item Concessions, licenses, trademarks and similar rights were adjusted as at 31 December 2013 with respect to overdue concessions totalling Euro 174,554 thousand.

Investments of Euro 7,746 thousand mainly concern:

- “Concessions, licenses, trademarks and similar rights”, amounting to Euro 2,423 thousand, of which Euro 1,150 thousand for the issue of the AWP authorisation, Euro 600 thousand for the purchase of a trademark, Euro 405 thousand for incentives to enter a new management agreement and Euro 268 thousand for licences of VLT management software;
- “Industrial patents and intellectual property rights”, amounting to Euro 1,989 thousand, of which Euro 120 thousand for licenses for operating programmes for administration, finance and control, Euro 1,474 thousand for licences related to virtual events and Euro 395 thousand for CRM licences, games management and reporting;
- “Other”, for Euro 3,294 thousand, of which Euro 1,053 thousand for the implementation of software programmes for betting management and Euro 704 thousand for the implementation of management software programmes, Euro 1,526 thousand for AWP game cards to update the gaming machines and Euro 8 thousand for the VOD Portal for the Unire project;
- “Assets in progress and advances”, amounting to Euro 40 thousand, of which: Euro 27 thousand for the issue of the AWP machine authorisation; Euro 3 thousand for the New Concept Store and Euro 10 thousand for the new functions of the Comsy system.

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

Goodwill amounts to Euro 231,531 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, contributed by SNAI Servizi Spazio Gioco S.r.l., merged into SNAI S.p.A. in 2002, consisting of the operations connected with the on-line services supplied to betting 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.

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.

For SNAI, 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 conducted to check the carrying amount of goodwill concerned the “Services” CGU, the “Concessions” CGU and the “Television Services” CGU.

The cash flows for years 2015-2016 of the “Services” CGU "Concessions" CGU and the “Television Services” CGU have been prepared on the basis of the assumptions/forecasts set forth in the 2015 budget and the 2016 plan, as updated by the Board of Directors of SNAI S.p.A. on 12 March 2105. For the following years 2017-2019, a linear growth of flows, equal to 1%, was assumed with respect to expectations in the 2016 plan. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was extrapolated from the last year of explicit projection (2019), 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 8.34%.

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 366.8 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 3.7 percentage points in the annual payout relative to the value assumed in the budget; (ii) increase of 10.1 percentage points of the annual discount rate; (iii) a final rate of negative nominal growth of

12.7%. It should be noted finally 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 57.2 million, becomes nil with a 27.7% 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 2.7 million, becomes nil with a 1.5% 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.

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 carrying amount of the unit below the recoverable amount of the same.

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

16. Shareholdings

The Group's shareholdings are set forth in the following table.

	Value in accounting statement as at	**Value in accounting statement as at**	**Percentage held**	
thousands of Euro	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Affiliates and subsidiaries that are not fully consolidated				
- Hippogroup Roma Capannelle S.p.A.	1,059	1,525	27.78	27.78
- Alfea S.p.A.	1,256	1,289	30.70	30.70
- Connext S.r.l. in liquidation	0	49	25	25
- Solar S.A.	3	3	30	30
- Teseo S.r.l. in liquidation	0	0	100	70
Total shareholdings measured using the equity method	**2,318**	**2,866**		
Other				
- Tivu + S.p.A. in liquidation	0	0	0	19.5
- Lexorfin S.r.l.	46	46	2.44	2.44
Total shareholdings in other companies	**46**	**46**		

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

On 23 September 2014, SNAI S.p.A. and SNAI Servizi S.r.l. entered an agreement with the aim of mutually transferring shareholdings as well as trademarks and a domain from SNAI Servizi S.r.l. to SNAI S.p.A., which is now 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. equal to 19.5% of the company's share capital, made up of 101,400 ordinary shares.

The composition of the whole group, and the consolidation methods used, are set forth in Schedule 1.

17. 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 21,411 thousand (the net amount of deferred tax assets, as at 31 December 2013, amounted to Euro 21,411 thousand).

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for doubtful receivables	55,961	27.50%	15,389	15,389	2015 and following
Provision for risks	8,452	27.50% - 32.62%	2,720	2,720	2015 and following
Provision for inventory depreciation	205	27.50% - 32.62%	66	66	2015 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	3,223	27.50% - 32.62%	982	982	2015 and following
Interest Rate Swap	2,930	27.50%	806	806	2015 and following
Interest expense not deducted as per art. 96 of Tuir	87,693	27.50%	24,115	20,015	2015 and following
Other temporary differences	1,703	27.50%	469	469	2015 and following
Total	**160,167**		**44,547**	**40,447**	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Gains posted	Usable before
SNAI S.p.A.:					
Year 2008	17,895	27.50%	4,921	4,921	eligible for being carried forward indefinitely
Year 2009	10,200	27.50%	2,805	2,805	eligible for being carried forward indefinitely
Year 2010	29,060	27.50%	7,992	7,992	eligible for being carried forward indefinitely
Year 2011	27,186	27.50%	7,476	7,476	eligible for being carried forward indefinitely
Year 2012	34,422	27.50%	9,466	9,466	eligible for being carried forward indefinitely
Year 2013	75,454	27.50%	20,750	3,425	eligible for being carried forward indefinitely
Year 2014	12,627	27.50%	3,472	3,472	eligible for being carried forward indefinitely
Total prior losses	**206,844**		**56,882**	**39,557**	
Total Deferred tax assets				**80,004**	

The changes in deferred tax assets:

	31.12.2013	allocations set aside	uses	31.12.2014
Deferred tax assets	75,086	7,900	(2,982)	80,004

As at 31 December 2014, 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 deferred tax assets of Euro 3,472 thousand were recognised on the loss resulting from tax consolidation.
It should be also noted that, on the tax loss resulting from tax consolidation for 2013, recognised deferred tax assets amounted to Euro 3,425 thousand against recordable benefits of Euro 20,750 thousand. In fact, regardless of the fact that the Inland Revenue Office accepted the request filed by the Patent Company on the deductibility, for IRES tax purposes, of amounts paid by SNAI S.p.A. to settle the dispute with AAMS 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 amounted to Euro 39,557 thousand, while the tax benefit on off-balance sheet prior losses amounted to Euro 17,325 thousand.
It should be also 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 2,708 thousand, were recognised, against benefits amounting to Euro 6,808 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 3,223 thousand with tax effect of Euro 982 thousand, relates mainly to leasing contracts signed in 2007 and prior years (Euro 1,739 thousand with tax effect of Euro 567 thousand).

It is worth noting that the tax consolidation option is currently in force for the 2013-2015 three-year period, as per Art. 117 and seq. of the Presidential Decree no. 917/1986 with the consolidated company Società Trenno S.r.l. Moreover, the tax consolidation option between the consolidating company and the consolidated companies Festa S.r.l. and Immobiliare Valcarenga S.r.l.. The latter were merged into SNAI S.p.A. with effect as from 1 January 2015.
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. 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 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 amortisation of goodwill	(10,994)	27.50% - 32.62%	(3,401)	(3,401)
Tax amortisation of goodwill on business segments	(131,940)	27.50% - 32.62%	(41,959)	(41,959)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(40,482)	27.50% - 32.62%	(13,167)	(13,167)
Other temporary differences	(239)	27.50%	(66)	(66)
Total deferred taxes	**(183,655)**		**(58,593)**	**(58,593)**

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

	31.12.2013	allocations set aside	uses	31.12.2014
Provision for deferred taxes	53,675	5,197	(279)	58,593

18. Inventories

Compared to 31 December 2013, inventories increased by Euro 843 thousand. The composition of the "Inventories" item is shown below:

thousands of Euro	31.12.2014	31.12.2013	Change
Raw materials	21	24	(3)
Work in progress	8	8	0
Finished products/goods	457	1,297	(840)
Total	**486**	**1,329**	**(843)**

The value of inventories is shown net of the provision for inventory depreciation, equal to Euro 206 thousand as at 31 December 2014 (Euro 273 thousand as at 31 December 2013). The decrease is due to the uses in the year.

19. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Trade receivables			
- from customers	96,757	101,982	(5,225)
- from foreign customers	14	19	(5)
- from MIPAAF	13,397	17,152	(3,755)
- from stables, jockeys and bookies	759	1,402	(643)
- from parent Global Games S.p.A.	0	6	(6)
- actual assets at collection and in portfolio	1,176	1,148	28
- provision for doubtful receivables	(53,617)	(46,105)	(7,512)
Total	**58,486**	**75,604**	**(17,118)**

Trade receivables from customers included the balances as at 31 December 2014 due from operators for accepting bets (Betting and Gaming Machines), net of the compensation due to those operators. They also include the receivables related to the legal actions of SNAI S.p.A. in the amount of Euro 42,376 thousand (Euro 46,055 thousand).

Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture, Foodstuff and Forestry Policies), amounted to Euro 13,397 thousand (Euro 17,152 thousand) and include:

- Euro 4,216 thousand (Euro 5,628 thousand) for receivables from the Società Trenno S.r.l. Of the above amount, Euro 1,081 thousand are related to amounts accrued as at 31 December 2014 regarding fees for the management of racetracks, the remaining amount, equal to Euro 3,135 thousand, relates to receivables from MIPAAF regarding grants for the development and upgrading of city racetracks as well as to amounts to be received for the 2000 Investment Provision for works carried out at the horse racetracks in Milan and Montecatini, net of prior grants and amounts collected for registration of horses at Grand Prix 2014 of the horse racetracks in Milan and Montecatini and amounting to Euro 248 thousand;
- Euro 9,181 thousand (Euro 11,524 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.

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 changes in the provision for doubtful trade receivables were as follows:

thousands of Euro	Written down individually	Written down collectively	Total
As at 01 January 2013	**37,506**	**853**	**38,359**
Provisions for the year	8,910	59	8,969

Reclassification	475	(475)	0
Utilisation of provision	(1,067)	(156)	(1,223)
As at 31 December 2013	**45,824**	**281**	**46,105**
Provisions for the year	15,565	48	15,613
Utilisation of provision	(8,101)	0	(8,101)
As at 31 December 2014	**53,288**	**329**	**53,617**

As at 31 December 2014, 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 2014	58,486	29,069	5,044	3,562	20,811
Total 2013	75,604	31,078	8,054	5,343	31,129

20. Other assets

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

thousands of Euro	**31.12.2014**	**31.12.2013**	**Change**
Other non-financial assets			
Tax receivables			
- from Inland Revenue Office for tax refund	91	62	29
- from Inland Revenue Office for taxes under dispute	193	114	79
- from Inland Revenue Office for taxes on assets	0	54	(54)
	284	**230**	**54**
Receivables from others:			
- guarantee deposits	1,488	1,673	(185)
	1,488	**1,673**	**(185)**
Trade receivables:			
- assets/valuables in portfolio	195	510	(315)
	195	**510**	**(315)**
Total Other non-financial assets	**1,967**	**2,413**	**(446)**

The increase in guarantee deposits comprise, among other, Euro 300 thousand related to the deposit paid to the company P4Pay S.r.l. for the guarantee on the PostePay cards, and Euro 500 thousand deposited in court, in favour of a customer, as a result of the malfunction of the VLT Barcrest platform. For further details, please refer to the section "*Disputes brought by customers claiming to hold "alleged" winning tickets as a result of the malfunction of the VLT Barcrest platform"*, included in Note 28.

Other current assets are composed as follows:

thousands of Euro	**31.12.2014**	**31.12.2013**	**Change**
Other current assets			
Tax Receivables:			
- from Inland Revenue Office for IRES down payment /credit	245	657	(412)
- from Inland Revenue Office for IRAP down payment/credit	962	1,121	(159)
- from Inland Revenue Office for VAT	0	483	(483)
- Other tax receivables	588	510	78
	1,795	**2,771**	**(976)**
Receivables from others:			
- Gaming Machines guarantee deposit	14,213	14,064	149
- Advance concession payment to AAMS	1,873	1,208	665
- Receivables from AAMS for winnings on National Horse Racing	159	105	54
- Guarantee deposit for on-line gaming (Skill/Bingo)	268	252	16
- Receivables from Skill Games	213	41	172

- Other receivables from Betting Acceptance Points	139	139	0
- Receivables from prior grants from granting bodies	327	296	31
- Receivables from undue payment of interest and sanctions on flat-rate gaming tax (PREU)	2,114	2,114	0
- Receivables from reimbursement of fees on guarantee	0	16	(16)
- Receivables from Bluline electronic exchange	226	226	0
- Social security entities	81	153	(72)
- Sundry receivables	1,792	3,478	(1,686)
- Provision for doubtful receivables from others	(2,118)	(2,145)	27
	19,287	**19,947**	**(660)**
Accrued income and prepayments			
- Accrued income	0	16	(16)
- Prepayments	3,427	3,953	(526)
	3,427	**3,969**	**(542)**
Total other current assets	**24,509**	**26,687**	**(2,178)**

The gaming machines guarantee deposit of Euro 14,213 thousand (Euro 14,064 thousand) is equivalent to 0.5% of the turnover generated by the gaming machines (AWP and VLT) as described in greater detail in Note 4 “Revenues from sales and services”.
The Advance concession payment to AAMS, of Euro 1,873 thousand, includes higher amounts paid in advance to AAMS for 2014 and relates to the concession fee for horse race and sports betting and for on-line gaming. For further details reference is made to Note 9.

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

thousands of Euro	*individually*
As at 01 January 2013	2,196
Provisions for the year	102
Utilisation of provision	(153)
As at 31 December 2013	2,145
Provisions for the year	80
Utilisation of provision	(107)
As at 31 December 2014	2,118

Among the prepayments, the table shows:

- Euro 2,673 thousand (compared to Euro 3,112 thousand as at 31 December 2012), 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 754 thousand (Euro 841 thousand), primarily related to costs of maintenance and assistance contracts, etc., that have not yet accrued.

21. Financial Assets

The non-current financial assets consist of the following:

thousands of Euro	**31.12.2014**	**31.12.2013**	**Change**
Option rights	245	0	245
AWP deposits	999	0	999
Total non-current financial assets	**1,244**	**0**	**1,244**

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. The option right is an equity instrument measured at cost, according to IAS 39, paragraph 46, by reason of the fact that there is no price on any active listed market and fair value cannot be reliably determined because this is a newly incorporated company, with no financial statements approved.

AWP deposits are related to contracts with a sector operator.

The current financial assets consist of the following:

thousands of Euro	31.12.2014	31.12.2013	Change
Dedicated bank accounts	0	6	(6)
Escrow accounts and unavailable balances	19,662	19,407	255
Shares in former Società Fiorentina Corse Cavalli for exchange	1	1	0
Total current financial assets	**19,663**	**19,414**	**249**

The escrow accounts, which were opened by the parent company in order to manage the amounts resulting from the offsetting between the receivables from AAMS 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 Milan 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 which 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.

Non-current financial assets, the escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 39).

22. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Bank accounts	68,100	45,284	22,816
Postal deposits	326	9	317
Cash in hand	203	206	(3)
Cash on hand	**68,629**	**45,499**	**23,130**
Bank overdrafts	0	0	0
Net cash and cash equivalents	**68,629**	**45,499**	**23,130**

23. Shareholders' equity

The share capital of the parent company, SNAI S.p.A., as at 31 December 2014, entirely subscribed and fully paid up, amounted to Euro 60,748,992.20 (60,748,992.20 as at 31 December 2013), and is comprised of 116,824,985 ordinary shares (116,824,985 as at 31 December 2013).
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.

authorised number of shares	116,824,985
number of shares issued and fully paid up	116,824,985
par value per share (in Euro)	0.52

The number of shares and share capital are unchanged with respect to 31 December 2013.
The shares issued are all ordinary shares.
The parent company SNAI S.p.A. does not hold treasury shares, neither directly or through its subsidiaries or affiliates.

Reserves

Legal Reserve
The legal reserve amounts to Euro 1,559 thousand.

Share premium reserve
The share premium reserve, equal to Euro 13,946 thousand, was created following the share capital increase resolved on 14 September 2006, and concluded on 15 January 2007. The amount of that increase, of Euro 219,535 thousand, has been reduced by the ancillary charges, net of the tax effect related to the capital increase of Euro 8,216 thousand, in line

with IAS 32. This reserve was utilised, for Euro 103,037 thousand, to cover part of the losses for the year 2010 and the losses for 2011 and 2012 and, for Euro 94,336 thousand, to cover the loss for the year 2013, as resolved by the shareholders' meeting of 29 April 2014.

Cash Flow Hedge Reserve
The cash flow hedge reserve is negative for Euro 2,124 thousand and consisted of derivatives being taken directly to equity (see Note 35).

Post-employment benefit reserve (IAS 19)
The reserve for the re-measurement of post-employment benefits (IAS 19) is negative for Euro 720 thousand and is formed by recognition of actuarial gains/losses as at 31 December 2014.

Profit (loss) carried forward
Profit (loss) carried forward amounted to Euro 773 thousand and show movements over the year due to the difference between the loss of the parent company (Euro 94,336 thousand) and the loss of the Group (Euro 94,530 thousand).

Shareholders' Equity pertaining to minority interests
As at 31 December 2014, minority interests show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

24. 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 23 and 35).

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

		Year	
		2014	**2013**
Hedge derivatives:			
Net (loss)/profit from derivatives as cash flow hedges		2,930	3,547
Tax impact		(806)	(975)
	(a)	**2,124**	**2,572**
Re-measuring of defined-benefit plans for employees (IAS 19):			
Actuarial gains/(losses)		(397)	105
Tax impact		109	(29)
	(b)	**(288)**	**76**
Total gain/(loss) for the year (a+b)		**1,836**	**2,648**

25. Earnings per share

Basic earnings per share
The calculation of the basic earnings/loss per share as at 31 December 2014 was made taking into consideration the loss attributable to the holders of ordinary shares, for Euro 26,082 thousand (31 December 2013: loss of Euro 94,530 thousand) and the weighted average number of outstanding ordinary shares during the period ended 31 December 2014, equal to 116,824,985 shares (31 December 2013: 116,824,985).

The amount was calculated as follows:

in thousands	**31.12.2014**	**31.12.2013**
Gain/(loss) attributable to holders of ordinary shares = gains for year of group (a)	(26,082)	(94,530)
Average weighted number of ordinary shares /1000 (b)	116,824.99	116,824.99
Basic earnings/(loss) per share (a/b)	**(0.22)**	**(0.81)**

Diluted earnings/(loss) per share
The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share, given that no financial instruments with potentially dilutive effects have been issued.

26. Post-employment benefits

The Post-employment benefits as at 31 December 2014 amounted to Euro 4,602 thousand against Euro 4,387 thousand as at 31 December 2013.

The following table shows the movements therein:

thousands of Euro	
Balance as at 01.01.2014	**4,387**
Accruals	84
Uses	(385)
Financial expenses	119
Actuarial loss/(gain)	(48)
Actuarial loss/(gain) from change in demographic ass.	0
Actuarial loss/(gain) from change in fin. assumptions	445
Total actuarial loss/(gain)	397
Balance as at 31.12.2014	**4,602**

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

Financial assumptions	**31.12.2014**
Annual discount rate (SNAI S.p.A. and Teleippica S.r.l.)	1.49%
Annual discount rate (Festa S.r.l. and Società Trenno S.r.l.)	0.91%
Annual inflation rate	0.6% for 2015 1.20% for 2016 1.50% for 2017 and 2018 2.0% from 2019 onwards
Rate of increase in post-employment benefits (TFR)	1.95% for 2015 2.40% for 2016 2.625% for 2017 and 2018 3% from 2019 onwards
Annual rate of wage increase	Managers: 1% Middle managers: 1% Office workers: 1% Workers: 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

Table of annual frequency of turnover and advances on post-employment benefits

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%
Festa S.r.l.	2.50%	10.00%

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 31.12.2014 (amounts in thousands of Euro)	
Change in assumptions	**Balance**
+1% on turnover rate	4,573
-1% on turnover rate	4,636
+1/4% on inflation rate	4,664
-1/4% on inflation rate	4,542
+1/4% on discount rate	4,509
-1/4% on discount rate	4,699

The average financial duration of the bond for defined-benefit plans as at 31 December 2014 ranged from 7 to 13 years.

The following table shows expected disbursements related to the plan:

Expected disbursements	
Years	**thousands of Euro**
1	425
2	368
3	406
4	438
5	266

27. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	**31.12.2014**	**31.12.2013**	**Change**
Non-current financial liabilities			
Bond loan	463,561	479,214	(15,653)
Due for financial leasing	1,208	2,174	(966)
Total other non-current liabilities	**464,769**	**481,388**	**(16,619)**
Current financial liabilities			
Current portion of senior bank loans - Bond loan	19,552	0	19,552
Due for financial leasing	1,151	3,764	(2,613)
Due for interest on bond loans	2,148	3,661	(1,513)
Due to banks	40	40	0
Due to “Betting Acceptance Points” for the purchase of horse racing and sports Concessions business segments	32	42	(10)
Total current financial liabilities	**22,923**	**7,507**	**15,416**

The financial liabilities include:

- the bond loans stipulated on 8 November and 4 December 2013 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 483,113 thousand, (nominal value of Euro 500,000 thousand) and stated net of direct ancillary charges. These charges, totalling Euro 21,453 thousand, include professional fees related to the stipulation of the contracts, as well as the tax payable on the assumption of the loan, whose Euro 4,242 thousand have been charged to the income statement as at 31 December 2014;
- financial liabilities for financial lease contracts, totalling Euro 2,359 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 14, “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 “Facility A” bonds, issued in the amount of Euro 15,000 thousand, were repaid on 4 December 2013.

The “Facility B” bonds, issued in the amount of Euro 20,000 thousand, featured the following characteristics:

- issue price: equal to 96% of the nominal value;
- maturity: 18 months form issue except advance reimbursement and redemption provisions as set out by the regulation on the Bond Loan;
- coupon (quarterly): 3-month Euribor + 800 bps (with quarterly increase of further 50 bps until maturity, up to 1000 bps maximum).

The regulation regarding Bond Loans, governed under the British law, provides that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the expiration or the advanced redemption of bonds, as well as restrictions in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advance redemption of bond/notes. The bonds are not listed on any regulatory market or in any Italian and EU multilateral systems for negotiations.

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.

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. 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. The Senior Revolving Facility had not been used as at 31 December 2014.

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.

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

amounts in thousands of Euro

Financial payables	Amount of loan	Duration	Interest period	Due date	Repayment method	Date of payment	Disbursed amount
Senior Secured Notes	320,000	4 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
Facility B bonds	20,000	1 year and 6 months	3 months	08/05/2015	Bullet	08/11/2013	20,000
Senior Revolving Facility	30,000		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.		-
Total	**530,000**			**Total amount disbursed as at 31.12.2014**			**500,000**

28. 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 consolidated financial statements.
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.

As at 31 December 2014, the provisions for risks and charges amounted to Euro 10,838 thousand; the changes in those provisions are detailed in the following table:

thousands of Euro	Technological renewals	Tax disputes, litigations and contractual risks	Total
Balance as at 31 December 2013	**3,009**	**13,608**	**16,617**
Provisions recognised in year	448	1,389	1,837
Releases/Uses for the year	(2,771)	(4,845)	(7,616)
Balance as at 31 December 2014	**686**	**10,152**	**10,838**

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.

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 10,152 thousand.

The allocation for the year of Euro 1,389 thousand concerns: Euro 400 thousand related to 2013 PREU tax, Euro 717 thousand related to disputes with employees, Euro 72 thousand related to charges for companies in liquidation and Euro 200 thousand related to allocations for legal fees.
The utilisation of Euro 4,845 thousand during the period relates to the following: Euro 362 thousand for transactions with employees, Euro 483 thousand for risk mitigation on liquidation of the subsidiary Teseo S.r.l., in liquidation, Euro 1,404 thousand for legal expenses and Euro 2,596 thousand for transactions.

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

In the month of June 2007, AAMS 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 of the fast track option as per Art. 14 of Law Decree 102/2013).
The Company has lodged an appeal with the Regional Administrative Court (TAR) contesting the AAMS 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 - AAMS 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, AAMS 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, AAMS 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 AAMS on 27 October 2011.

With memorandum no. 2012/7455/Giochi/ADI dated 17/2/2012 and received on following 27 February 2012, the AAMS 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 at 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 AAMS 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.
The hearing for discussion of the appeal was set for 26 May 2015.

In view of the above, and on the basis of its lawyers' opinions, the Group considers the risk of a negative outcome regarding AAMS's claims as no more than possible.

Disputes concerning the gaming machines business: proceedings "for rendering of account" initiated by the Substitute Prosecutor before the Court of Auditors and consequent judgement

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 analytical arguments on the substantial baselessness of the demands of the investigating Prosecutor and argue that the Court 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 AAMS 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 advisers, 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, 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.

In addition to the proceedings on the account rendering, in the course of 2012, the auditing trial was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court. At the hearing of 17 January 2013, the rapporteur referred, in support of their report, to an opinion provided to AAMS 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 Lazio Court of Auditors' Jurisdictional Section is scheduled on 10 April 2015.

In the opinion of legal advisers the risk of losing can be described as remote; 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 AAMS 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 2014, 93 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 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 to the court 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 one case, ii) suspended in three cases.

It should be also pointed out that

i) two cases has in the meantime become extinct due to inactivity on the part of the player;
ii) An interim order, which is not temporarily enforceable, was revoked after the objection that was filed by SNAI related to the ruling no. 307/2014 issued by the Court of Macerata and filed on 20 March 2014;
iii) 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. In the other case, the players started a legal action against SNAI, for which the latter filed an objection;
iv) an objection was defined pursuant to Art. 702 c.c.p. with order of the Court of Prato which rejected, on the merits of the claim, all requests filed by the claimant. The player filed an appeal and the first hearing is scheduled on 10 January 2017.

After 31 December 2014, a proceeding was settled out of Court with the payment in favour of the player of Euro 5,000, while two requests for mediation procedures were filed.
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.
In the course of 2012, SNAI summoned Barcrest and its parent to sue for compensation for of all types of damage and loss resulting from the malfunction on 16 April 2012. The summoned companies appeared before the Court to challenge SNAI's claims and asking the payment of alleged amounts receivable and of damage to be determined in the course of the proceedings. Due to various postponements, the first hearing was scheduled on 27 November 2014. For this hearing, the Judge granted legal time limits for the filing of briefs pursuant to Art. 183, par. VI of the Italian Code of Civil Proceedings, with effect beginning from 15 January 2015, and postponed the case to 27 May 2015.
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 (for further details see Note 41.1 Barcrest Transaction).
In light of the considerations set forth above and the opinions of our own legal advisers, the directors consider that the risk of the Company losing is may be classified as merely possible.

Proceedings for revocation/expiry of certain rights awarded upon the conclusion of the Bersani Tender Procedure

The directorate general of AAMS has, through 107 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 107 rights assigned to SNAI further to the "Bersani" tender procedure) and with reference to other three rights, AAMS 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 settled. On the basis of the legal advice obtained, and in light of the uncertain nature of disputes in this area, SNAI considers risk 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 AAMS regarding the reduced level of transactions by certain horse racing and sports Concessions in the years 2007-2008 for which AAMS has requested the minimum guaranteed service fees. We report the latest developments regarding the various measures analysed by year of dispute.

With AAMS notice no. 2009/20716 of 29 May 2009, AAMS 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 AAMS's demands related to the year 2008.

A similar procedure was performed for the AAMS'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 AAMS 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 AAMS 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 AAMS 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 AAMS'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 AAMS, as it is now considered recoverable; and the Parent Company has informed AAMS 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 AAMS. Recently, upon the appeal of the Company and other concession holders, the Lazio Regional Administrative Court revoked AAMS'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 AAMS to another concession holder, starting from the first half of April 2011, the receivable of Euro 2,429 thousand for the abovementioned guaranteed minimum amounts related to the year 2006 paid by the parent company to AAMS in prior years has been offset against current liabilities, connected to former ASSI amounts.

On 12 January 2012, AAMS notified 226 requests for payment of minimum guaranteed amounts to which the following is to be added: - two 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, AAMS served to SNAI, in addition to another notice served to the former Agenzia Ippica Monteverde S.r.l., 226 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 AAMS 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 AAMS might pursue for a forced collection of the amounts; on the other hand, confirms the suspension of similar requests that AAMS 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 AAMS 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 violation 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 AAMS 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. 16/2021, cancelled the payment orders of the guaranteed minimum amounts related to years 2006-2012, which calculated an unreasonable "fair discount" of only 5%.
The Group, supported by the advice of its legal advisers, considers that the risk of losing in relation to the requests, which have been brought by AAMS, is only to be possible, and consequently has made no provision for risk.

Penalties for exceeding the AWP quotas

Following the demand formulated by AAMS 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 AAMS 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, AAMS 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.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007. The company Omniludo S.r.l. sued 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 (described below) pending before the Court of Lucca, Mr. 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.

- Case 4810/2010. 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 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 4810/2010 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.

Stefano Tesi vs. SNAI

By means of a notice of appeal served to SNAI in accordance with Art. 702 of the c.c.p. on 19/10/2011, Mr Stefano Tesi summoned SNAI S.p.A to a hearing scheduled by the Judge for 26 January 2012. The Court ordered SNAI to pay Euro 13,476,106.10 - or whatever amount the court deems fair - plus legal expenses, on the grounds the defendant had not yet paid the "extraordinary" amount that the plaintiff won via a SNAI Video Lottery Terminal.

SNAI appeared before the Court, opposing the above claims both in fact and in law, as under mandatory provisions of law a VLT may not pay out winnings in excess of Euro 500,000.00, and in turn suing the manufacturer of the VLT in question, as the event was probably due to a defect in the machine. Following the submission of the motion for postponement by SNAI in order to summon the third party (BARCREST Group Limited, based in the United Kingdom), the Ordinary Judge of the Court of Lucca postponed the hearing to 3 July 2012. At that hearing, at which the BARCREST Group appeared, the Court withheld its decision. By an order lifting that reservation, the Investigating Judge ordered the transfer to ordinary proceedings and committed the case for trial on 9 October 2012 in accordance with 183 of the c.c.p. At that hearing the case was postponed until 12 March 2013 for admission of pre-trial motions. At the hearing of 12 March 2013, certain questions for witnesses formulated by SNAI were admitted but not those of Tesi. At the hearing of 28 May 2013, the case was postponed to 2 July 2014 for clarification of the pleadings. Once the pleadings had been clarified, the judge indicated the deadlines for submission of the closing briefs and the responses. With ruling of 10 November 2014, the Court of Pistoia rejected the claim of Stefano Tesi and ordered him to pay the legal expenses.

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 are 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 that hearing, the Judge postponed the case to 16 June 2015 to discuss on the preliminary claims.

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 AAMS 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 AAMS (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.
AAMS 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 AAMS 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 Court of Cassation thereafter on 10 June).

Allegations by AAMS regional offices related to the 2006 PREU

This dispute regards 41 notices and/or assessment notices issued by the regional offices of AAMS, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS".
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 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 4 notices of assessment, AAMS has 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. A new hearing has to be set;
- 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. SNAI has

appealed these rulings before the appropriate Regional Tax Commission and we are waiting for a hearing date to be set;
- for 1 proceeding, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled;
- for 1 proceeding, the hearings on suspension were held on 12 December 2014. The appropriate CTP reserved;
- for 18 proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. AAMS has appealed the remaining 15 rulings before the competent Regional Tax Commission and SNAI has submitted its own objections. Of which: 7 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; for 8 proceedings the hearings have not yet been scheduled;
- for 1 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.

Based also upon the opinion of the legal advisers, the Directors assessed the risk of a negative outcome of the proceedings in course as being possible.

Allegations by AAMS regional offices related to the 2007 PREU

This dispute regards 12 notices and/or assessment notices issued by the regional offices of AAMS, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS".
The aggregate amount of penalties and PREU tax amounts to Euro 82,101.58 (Euro 49,683.24 as penalties + Euro 32,418.34 as 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:

- for 1 assessment notice, AAMS issued a decision for its cancellation (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 5 proceedings, we are awaiting that the appropriate CTP fix the hearings on the merits and suspension of provisional enforceability;
- for 2 proceedings, the hearings on suspension were held on 16 October 2014 and the appropriate CTP reserved on the decision;
- for 1 proceeding, we are awaiting the dates to be set for the hearings on the merits and suspension;
- for 1 proceeding, on 4 July 2013 after brief discussion, the CTP reserved on the decision. Upon lifting of its reservation, the CTP rejected the suspension request and postponed the discussion to a new hearing. A new hearing has to be set.

Based also upon the opinion of the Group's legal advisers, the Directors assessed the risk of a negative outcome of the proceedings in course as being possible.

Allegations by AAMS regional offices related to the 2008 PREU

This dispute regards 8 notices and/or assessment notices issued by the regional offices of ADM (former AAMS), which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS".
In particular, there are two notices, the amount of which is undetermined, for which SNAI filed defensive briefs before the appropriate CTP. Given the lack of the outcome related to the evaluation of defence deeds and the following assessment notice, the case can be considered as expired. - in relation to 6 assessment notices (followed by 4 objections for which SNAI filed defensive briefs), for a total amount of approximately Euro 380,000.00. SNAI has filed appeals against the above notices before the competent CTP; We are awaiting the dates to be set for the hearing on the merits and suspension.

Additional penalties for exceeding the AWP quotas by Regional Offices

This relates to 122 notices served by various regional offices of ADM (formerly AAMS) in which ADM contested the installation of a number of AWP in excess of 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 has provided as follows:

- to make a reduced payment for 46 disputes amounting to approximately Euro 22,600.
- to submit defensive briefs for 77 disputes, of which 19 have been archived.

After 31 December 2014, 7 notices were served.

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 on-line 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 is preparing its defence, also in consideration of legal precedents favourable to other concession holders that have published quotes with recognisable errors, and the company will appear in the judgements.
In some cases, however, the players have brought a complaint before the Commission for the transparency of the games at ADM requesting payment of their winnings. With the rulings no. 4/2013, no. 5/2013 and no. 6/2013 published on 29 April 2013, the Commission has upheld three complaints; payment has been sought from ADM. With an appeal to the Lazio Regional Administrative Court filed on 14 November 2013, SNAI objected the order with which ADM required the payment to one of the complainants. With reference to the above-mentioned order, on 21 March 2014 ADM issued a notice in which, while acknowledging the cancellation decided by the Commission, any action was suspended as regards failure to enforce the decision.
Considering the nature and the characteristics of the AAMS notices, SNAI decided to not appeal them.

29. Sundry payables and other liabilities

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

thousands of Euro	31.12.2014	31.12.2013	Change
Sundry payables and other non-current liabilities			
Tax payables			
- instalments on assessment notice	64	452	(388)
- instalments on flat-rate tax	437	593	(156)
	501	**1,045**	**(544)**
Other payables			
- for instalments related to PREU for previous years	1,824	2,567	(743)
- for guarantee deposit liabilities	11	11	0
	1,835	**2,578**	**(743)**
Total sundry payables and other non-current liabilities	**2,336**	**3,623**	**(1,287)**

Other current liabilities are composed as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Other current liabilities			
Tax payables			
- income tax	2,745	285	2,460
- VAT	797	2,228	(1,431)
- Flat-rate tax	4,964	4,757	207
- instalments on flat-rate tax	181	1,636	(1,455)
- instalments on assessment notice	405	1,347	(942)
- other tax debts	887	1,600	(713)
	9,979	**11,853**	**(1,874)**
Payables to social security institutions			
- Soc. Sec. Entities	2,711	2,466	245
	2,711	**2,466**	**245**
Other payables			
- to AAMS for outstanding PREU	17,012	14,944	2,068
- to AAMS for guarantee deposits ADI	2,638	2,417	221
- for instalments related to PREU for previous years	846	1,103	(257)
- to winners and VLT jackpot reserve	10,063	10,531	(468)
- VLT required tickets	57	202	(145)
- to AAMS as concession instalment	1,582	1,449	133
- to gamblers for antepost betting	1,567	1,762	(195)
- to gamblers for wins and refunds on national horse racing/sports forecast betting	1,678	1,609	69

- to ASSI (former U.N.I.R.E.) for fortnightly payments	1,115	1,077	38
- to AAMS for required tickets	231	277	(46)
- to AAMS for Sports Forecast and National Horse Racing Betting Concession	1,724	3,138	(1,414)
- for SNAI Card gaming bards	6,147	5,900	247
- to On-line Gaming players (Skill/Casino/Bingo)	132	132	0
- for management of On-line Gaming (Skill/Casino/Bingo)	1	1	0
- to players for wins in virtual events	225	47	178
- to AAMS	21,573	21,564	9
- for non-competition agreement	0	167	(167)
- to employees and collaborators	4,256	3,786	470
- to directors	418	764	(346)
- to auditors	167	192	(25)
- for guarantee deposits	2,896	2,281	615
- to Teseo S.r.l. in liquidation	483	0	483
- to parent companies	0	65	(65)
- to others	2,500	2,594	(94)
	77,311	**76,002**	**1,309**
Accrued liabilities and deferred income			
- accrued liabilities	265	245	20
- deferred income	851	901	(50)
	1,116	**1,146**	**(30)**
Total other current liabilities	**91,117**	**91,467**	**(350)**

The instalments payable on the tax assessment notice of a total of Euro 469 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on November 2011 and July 2013, of which Euro 64 thousand is due within more than 12 months and Euro 405 thousand is due within 12 months. That amount includes the tax, penalties e interest as defined in the final tax assessment notices, with acceptance granted on 5 July 2012 (for the year 2010) and 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 618 thousand, of which Euro 437 thousand being due after one year and Euro 181 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 2,670 thousand, of which Euro 1,824 thousand being due after one year and Euro 846 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2007 and 2009-2010 PREU tax.

The Other payables to AAMS item, totalling Euro 21,573 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 have been 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 21.

Payables to AAMS for outstanding PREU, in the amount of Euro 17,012 thousand, are calculated from the gaming machine transactions.

The Deferred income item, amounting to Euro 851 thousand, is related, in the amount of Euro 814 thousand, to the portion of the grants to the former ASSI investment fund recognised as grants related to investments.

30. Trade payables

The trade payables are composed as follows:

thousands of Euro	31.12.2014	31.12.2013	Change
Trade payables			
- to suppliers	29,515	34,548	(5,033)
- to stables, jockeys and bookies	153	163	(10)
- to foreign suppliers	3,798	4,079	(281)
- advances paid to suppliers	(969)	(1,030)	61

- credit notes to be received	(298)	(465)	167
- to affiliate Connext S.r.l.	186	201	(15)
- to investee Tivu + S.p.A. in liquid.	0	43	(43)
Total trade payables	**32,385**	**37,539**	**(5,154)**

31. Overdue accounts payable

As required by CONSOB's notice ref. 10084105 of 13 October 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 Euro)

Current liabilities	Balance as at 31.12.2014	of which due on 31.12.2014
Financial payables	22,923	-
Trade payables	32,385	11,141
Tax payables	9,979	-
Payables to social security institutions	2,711	-
Other payables	77,311	-
	145,309	**11,141**

The amounts due as at 31 December 2014, i.e. Euro 11,141 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 31 December 2014. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

32. Share based payments

On 29 April 2014, the Shareholders' Meeting of SNAI S.p.A. approved, among other things, the proposal for the remuneration plan pursuant to article pursuant to Art. 114-bis of Law Decree 58/98 regarding a Remuneration Instrument for the Chairman and the Managing Director Giorgio Sandi, by virtue of his key position within the Company and fundamental role within the Company's development process.
This Plan includes a one-off, extraordinary bonus, in cash (the "Cash Bonus") or shares (the " Share-Based Bonus" and the Cash Bonus, together the "Extraordinary Bonus"), upon occurrence of some events connected with the Company's change of control.
Change of control means the direct or indirect acquisition, by a natural or legal person, who individually or together with other entities acting together with it pursuant to article 109 of the Consolidated Law on Finance (TUF), becomes the shareholder who holds, directly or indirectly, the highest number of Company shares.

I. The Cash Bonus will be paid by the company in the event that an entity other than the current controlling shareholder of SNAI makes, by 31 December 2021, a tender offer, whether voluntary or mandatory, on the company shares (the "OPA" [public offering]) due to which or upon conclusion of which an exchange of control takes place.

II. The Share-based Bonus will be paid by the company if, by 31 December 2021:
   - there is a merger by the company (the "**Merger**") upon conclusion of which an exchange of control takes place;
   - the company carries out a share capital increase upon conclusion of which an exchange of control takes place (the "**Increase**");
   - an entity other than the current controlling shareholder of SNAI makes an exchange tender offer on the company shares ("**OPS**") due to or upon conclusion of which an exchange of control takes place.

The Share-based Bonus, where attributed, will consist, in the event of a merger, in a number of shares of the company ensuing from the merger and, in the event of an increase or OPS, in a number of shares of the company.
Upon fulfilment of the Conditions, the Extraordinary Bonus will be attributed exclusively in the event in which the price per SNAI share is equal to or higher than Euro 4.1. In that case, the extent of the Cash Bonus or the Share-based Bonus will be determined based on the following table:

The price of SNAI shares	Amount of the bonus
Less than €4.1/share	0
From €4.1/share (included) up to € 5.65/share	2% of SNAI's capitalisation
From €5.65/share (included) up to € 6.40/share	2.33% of SNAI's capitalisation
From €6.40/share (included) up to € 7.20/share	2.67% of SNAI's capitalisation
For a price equal to or higher than €7.20/share	3.0% of SNAI's capitalisation

In the event of a termination of contract between the director and the company due to death or permanent invalidity or termination without just cause, or failure to renew the office, subsequently to the approval of the financial statements for the period ended 31 December 2015, for a subsequent mandate, the CEO will be entitled to a portion of the Cash Bonus or the Share-based Bonus, always provided the conditions above are fulfilled, and it will be determined according to different percentages.
The fair value of this instrument on the assignment date is equal to Euro 4,454 thousand.
The fair value as at 31 December 2014 is equal to Euro 2,356 thousand.
The liabilities as at 31 December 2014 which should be recognized in the financial statements amount to Euro 233 thousand, but given that the conditions this plan is subject to are not considered to be probable by the company as at 31 December 2014, in line with the instructions provided by IFRS 2, no liabilities have been recognized in the financial statements for the period ended 31 December 2014.

33. Financial commitments

In addition to what is stated regarding financial liabilities (note 27), the Group has undergone financial commitments related to the granting of guarantees for a total amount of Euro 128,064 thousand (Euro 157,100 thousand) relating to:

Bank	Beneficiary	Subject matter of the guarantee	Amount of bank guarantee as at 31.12.2014 (thousands of euro)	Amount of bank guarantee as at 31.12.2013 (thousands of euro)
UNICREDIT	AAMS	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.	35,364	35,905
UNICREDIT	AAMS	For the timely and exact payment of PREU and security deposit	22,914	24,600
UNICREDIT	AAMS	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	17,176	17,428
UNICREDIT	AAMS	Guarantee securing the concession for the acceptance of horse race bets	12,359	12,359
UNICREDIT	AAMS	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.	11,579	15,120
UNICREDIT	AAMS	For proper performance, payment of amounts and issuance of authorizations for the instalment of VLT, AWP devices.	6,000	6,000
UNICREDIT	ASSI (AGENZIA PER LO SVILUPPO DEL SETTORE IPPICO)	For the supply of broadcasting, elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5,387	5,387
BNL	AAMS	For the concession for the acceptance of horse racing and sports betting	4,262	4,960
UNICREDIT	MEDIOCREDITO ITALIANO Spa	Tim's phone top-ups	4,000	0
BINTER	AAMS	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.	2,380	2,380
CREDART	AAMS	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	AAMS	AAMS On-line games	1,840	1,380

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
BANCA DI CREDITO COOPERATIVO DI CAMBIANO	VODAFONE OMNITEL B.V.	To guarantee prompt and entire fulfilment of obligations related to the agreement	750	0
BANCA POP. DI VICENZA (FORMER B.NUOVA)	AAMS	Guarantee of the timely and exact payment of PREU	0	10,000
CR DI PISTOIA E DELLA LUCCHESIA (former CRF)	AAMS	Guarantee of the timely and exact payment of PREU	0	6,000
CREDART	AAMS	For the timely and exact payment of PREU	0	5,000
BPM	AAMS	Guarantee securing the preparation and adaptation of infrastructures for the connection of access points to the elaboration/processing system	0	3,000
BPM	AAMS	Guarantee securing the timely and exact payment of the concession instalment	0	2,057
UNICREDIT	AAMS	Guarantee securing the exact and timely payment of PREU	0	994
BPM	AAMS	To guarantee the debt owed to the Inland Revenue Office and Unire, as security backing concession 1507	0	230
UNICREDIT	E-CARE SPA	To cover legal fees and expenses resulting from the settlement of pending causes after the transfer contract of the outbound branch of Festa	0	220
VARIOUS			704	731
TOTAL			**128,064**	**157,100**

As regards the issue of the Bond Loan on 4 December 2013, on the Senior Secured Notes and the Loan Contract for Senior Revolving, SNAI S.p.A. provided for a series of collaterals on the major assets owned by the Company.

34. Related Parties

The 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 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 entirely identical to equivalent contracts in place with third parties.

Certain SNAI Group companies have accounts with Banca MPS, Intesa San Paolo, Banca Popolare di Vicenza, Poste Italiane and Banco Popolare Società Cooperativa, which may be considered related parties in that they are companies in which SNAI S.p.A. shareholders have equity interests.
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 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	31.12.2014	% Impact	31.12.2013	% Impact
Trade receivables:				
- from Global Games S.p.A.	-	0.00%	6	0.01%
	-	**0.00%**	**6**	**0.01%**
Other current assets				
- from Alfea	1	0.00%	1	0.00%
	1	**0.00%**	**1**	**0.00%**
Total Assets	**1**	**0.00%**	**7**	**0.00%**
Trade payables:				
- from Companies related to directors of SNAI S.p.A.	15	0.05%	764	2.04%
- to Tivu + S.p.A. in liquidation	-	0.00%	43	0.11%
- to Connext S.r.l. in liquidation	186	0.57%	201	0.54%
	201	**0.62%**	**1,008**	**2.69%**
Other current liabilities:				
- from Companies related to directors of SNAI S.p.A.	-	0.00%	21	0.02%
- to Companies related to shareholders of SNAI S.p.A.	-	0.00%	45	0.05%
- to directors of Teleippica S.r.l.	1	0.00%	2	0.00%
- from Global Games S.p.A.	-	0.00%	6	0.01%
- to Teseo S.r.l. in liquidation	483	0.53%	-	0.00%
	484	**0.53%**	**74**	**0.08%**
Total Liabilities	**685**	**0.10%**	**1,082**	**0.16%**

Assets are stated net of the related provision.

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

thousands of Euro	Year 2014	% Impact	Year 2013	% Impact
Revenues from services and chargebacks:				
- from Companies related to directors of SNAI S.p.A.	1	0.00%	38	0.01%
	1	**0.00%**	**38**	**0.01%**
Other revenues				
- from Companies related to directors of SNAI S.p.A.	1	0.08%	2	0.16%
- from Global Games S.p.A.	6	0.47%	6	0.49%
	7	**0.55%**	**8**	**0.65%**
Total revenues	**8**	**0.00%**	**46**	**0.01%**
Costs for raw materials and consumables used:				
- to Connext S.r.l. in liquidation	-	0.00%	6	0.52%
	-	**0.00%**	**6**	**0.52%**
Costs for services and chargebacks:				
- to Companies related to directors of SNAI S.p.A.	3	0.00%	656	0.20%
- to Companies related to shareholders of SNAI S.p.A.	1	0.00%	15	0.00%
- to directors of Teleippica S.r.l.	88	0.02%	57	0.02%
- to Connext S.r.l. in liquidation	600	0.17%	619	0.19%
	692	**0.19%**	**1,347**	**0.41%**
Other operating costs:				
- to Companies related to directors of SNAI S.p.A.	13	0.03%	13	0.01%
- to Connext S.r.l. in liquidation	2	0.00%	3	0.00%
	15	**0.03%**	**16**	**0.01%**
Total costs	**707**	**0.18%**	**1,369**	**0.32%**

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 2014 (0.30% in 2013), whereas the total income impacts the profit/(loss) for the year in the amount of 0.03% in 2014 (0.05% in 2013).
The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.74% in 2014 (8.96% in 2013), whereas the total income impacts the profit/(loss) for the year in the amount of 2.65% in 2014 (1.43% in 2013).

35. Financial risk management

The Group had financial liabilities principally comprising bond loans and financial leases. Such contracts are medium- to long-term.
On 8 November 2013, SNAI S.p.A. has issued a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two series of bonds ("Facility A" and "Facility B"), the issue of which was resolved on 5 November 2013 by the Company's Board of Directors. The "Facility A" bonds were issued in the amount of 15,000 thousand and "Facility B" bonds were issued in the amount of 20,000 thousand. The "Facility A" bonds were reimbursed in full on 4 December 2013.

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.

Gains on Bonds have been used by the parent company to (i) refinance a portion of the bank debt through the redemption of the medium/long-term loan granted to the Company by a pool of banks in 2011, as well as some hedging derivatives, (ii) reimburse Facility A Bonds issued by SNAI S.p.A. on 8 November 2013.
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. The Senior Revolving Facility had not been used as at 31 December 2014.
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.

Derivatives
As at 31 December 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 (31 December 2015).
The following table shows the movements in the cash flow hedge reserve in 2014 (amounts in thousands of Euro):

Cash Flow Hedge reserve - Interest rate risk	31.12.2014
Initial reserve	**(4,248)**
Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness	0
Positive (+) / negative (-) reclassifications to income statement for cash flows which affected the income statement	2,124
Final reserve	**(2,124)**

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 operation entered into in November and December 2013 with the issue of bond loans and the entering of a revolving facility unused as at 31 December 2014.

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 2014, and other liabilities. The cash flows are entered in the first timeframe where they may occur (values expressed 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	405,411	12,202	12,202	24,402	356,605
Senior Subordinated Notes	236,800	9,600	9,600	19,200	198,400
Facility B bonds	21,172	21,172	0	0	0
Leasing	2,492	876	401	1,179	36
Other liabilities	92,791	62,149	28,118	1,047	1,477

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.
The Group's exposure to such risk, as at 31 December 2014, specifically relates to the bond loan issued on 8 November 2013 for the portion of the non-reimbursed bonds, defined as "Facility B" bonds, in the amount of Euro 20,000 thousand.
The aim of the Group's 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 abovementioned 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	**31.12.2014**	**31.12.2013**
Interest-bearing loans	487,660	488,853
Non-interest-bearing loans	32	42
Financial liabilities	487,692	488,895

Trade payables and other liabilities	125,838	132,629
Financial Assets	(20,907)	(19,414)
Cash and cash equivalents	(68,629)	(45,499)
Net debt	**523,994**	**556,611**
Shareholders' equity	48,101	72,347
Total Shareholders' Equity	**48,101**	**72,347**
Shareholders' Equity and net debt	**572,095**	**628,958**
Net debt/(shareholders' equity and net debt) ratio	91.6%	88.5%

36. Significant non-recurring events and transactions

During 2014, there are no 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").

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

No atypical and/or unusual operations took place during the year 2014.

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.

Significant shareholdings in subsidiaries

	Percentage held	
	31.12.2014	**31.12.2013**
IMMOBILIARE VALCARENGA S.r.l. held by a sole quotaholder	100	100
FESTA S.r.l. held by a sole quotaholder	100	100
Società Trenno S.r.l. held by a sole quotaholder	100	100
SNAI Olè S.A. in liquidation	100	100
Teleippica S.r.l.	100	100

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 following write-off of the company. The company was written off from the Trade Register on 25 February 2015.

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 28 July 2006, and in accordance with the Recommendation from CESR of 10 February 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	**31.12.2014**	**31.12.2013**
A. Cash on hand	203	206
B. Other cash and cash equivalents	68,426	45,293
bank accounts	*68,100*	*45,284*
postal accounts	*326*	*9*
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	**68,630**	**45,500**
E. Current financial receivables	**0**	**6**
- escrow account	0	6
F. Current bank debts	40	40
G. Current portion of non-current indebtedness	19,552	0
H. Other current financial payables	3,331	7,467

- for interest on bond loans	2,148	3,661
- for acquisition of sports and horse racing concessions	32	42
- to other lenders	1,151	3,764
I. Current financial indebtedness (F) + (G) + (H)	**22,923**	**7,507**
J. Net current financial indebtedness (I) - (E) -(D)	**(45,707)**	**(37,999)**
K. Non-current bank debts	0	0
L. Bonds issued	463,561	479,214
M. Other non-current payables	1,208	2,174
- to other lenders	1,208	2,174
N. Non-current financial indebtedness (K) +(L) + (M)	**464,769**	**481,388**
O. Net financial indebtedness (J) + (N)	**419,062**	**443,389**

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,662 thousand, classified under item "current financial assets" on the balance sheet (see Note 21). Furthermore, the non-current financial assets, equal to Euro 1,244 thousand, are not included (see Note 21).

With respect to the net financial indebtedness as at 31 December 2013, the net financial debt decreased by Euro 24,327 thousand. The decrease is mainly due to the favourable performance of ordinary operations.

39.1 Covenants

As is customary for loans of this kind, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 27, 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 prohibition to distribute dividends before the due term of "Facility B" bonds and subsequent restrictions 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 and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total initial amount of Euro 30 million (for more information see Note 27).

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.

SNAI S.p.A. 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 financial indebtedness.

It is noted that, as at 31 December 2014, the Group was compliant with commitments and covenants.

40. 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 Group's financial instruments and other Group assets and liabilities.

	carrying amount		**fair value**	
Financial assets and liabilities	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Cash on hand	68,629	45,499	68,629	45,499
Receivables	58,486	75,604	58,486	75,604
Current financial assets	19,663	19,414	19,663	19,414
Non-current financial assets	1,244	-	1,244	-
Current financial liabilities	3,371	7,507	3,371	7,507
Current portion of long-term borrowings	19,552	-	19,552	-
Non-current financial liabilities	464,769	481,388	464,769	481,388
Other Assets and Liabilities				
Other current assets	24,509	26,687	24,509	26,687
Other non-financial non-current assets	1,967	2,413	1,967	2,413
Sundry payables and other non-current liabilities	2,336	3,623	2,336	3,623
Trade payables	32,385	37,539	32,385	37,539
Other liabilities	91,117	91,467	91,117	91,467

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.

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 2014, 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 at 31 December 2014 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. Events after the end of the year

41.1 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 asked by Barcrest to SNAI which, due to the transaction, will not be paid.

41.2 Stability Law
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 referable to each single concession holder, as quantified by a decree 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 37.8 million. SNAI filed notice of appeal before the Regional Administrative Court (TAR) of Lazio to denounce the violation to the Italian and European Constitution of the request, pursuant to Art. 1, par. 649, of Law no. 190/2014, in the section which sets out the imposed payment of Euro 500 million from wagers 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 payment 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 European illegality, or b) the submission to the Council of the issue of violation 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.

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	Fee for year 2014 (thousands of euro)
Accounting Audit	Parent Company's Auditor	Parent Company	473
	Parent Company's Auditor	Parent Company's Auditor	111
Services of attestation	-	-	0
Services of tax consulting	-	-	0
Other services	Auditor of Parent Company (2)	Parent Company	55
	Network of Parent Company's Auditor (3)	Parent Company	138
Total			**777**

(1) The subsidiaries subject to auditing are Società Trenno S.r.l., Festa S.r.l. and Teleippica S.r.l.
(2) This item relates to the agreed audit activities on the calculations of the financial covenants and the accounting position of the company, customer of SNAI S.p.A. - the latter were mainly carried out in January 2015.
(3) This item regards (i) IT assistance on the project for the assessment within the revenue assurance services (ii) support services in the audit of management processes and control activities, pursuant to Law 262 (iii) support services in the analysis of the management performance of a company, customer of SNAI S.p.A. - the latter was mainly carried out in January 2015.

Other Disclosures
These Explanatory Notes are supplemented by the information reported in the annexes:
1) Composition of the SNAI Group as at 31 December 2014.

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.

for the Board of Directors
Giorgio Sandi
(Chairman and Managing Director)

Milan, 17 March 2015

*****

The executive in charge of the preparation of the Company's accounting and corporate documentation, pursuant to article 154-bis, paragraph 5, of the Financial Services Act, hereby declares that the accounting information contained in this consolidated financial statements corresponds to the information contained in the documents, books and accounting records.

SCHEDULE 1

Composition of the SNAI Group as of 31 December 2014

(thousands of Euro)

Name	Head office	Share Capital	Owned percentage	Note	Type of business	Consolidation method/Valuation criteria
- SNAI S.p.A.	Porcari (LU)	60,749	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
- Immobiliare Valcarenga S.r.l. held by a sole quo	Milan (MI)	51	100.00%	(2)	Rent of horse race company for holding of horses	line-by-line basis
- Festa S.r.l. held by a sole quotaholder	Porcari (LU)	359	100.00%	(3)	Call centre and help desk management	line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	100.00%	(4)	Design and planning of betting management software systems	Shareholders' Equity
- SNAI Olè s.a. in liquidation	Madrid (Spain)	61	100.00%	(5)	Acceptance of sports betting and manufacturing of gaming materials - dormant	line-by-line basis
- Teleippica S.r.l.	Porcari (LU)	2,540	100.00%	(6)	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
Associates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(7)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30.00%	(8)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	996	30.70%	(9)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connext S.r.l. in liquidation	Porcari (LU)	82	25.00%	(10)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
Other companies:						
- Lexorfin S.r.l.	Rome (RM)	1,500	2.44%	(11)	Financial holding company in the horse race sector	Cost

Notes on the composition of the Group

(1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the merger by incorporation of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.). The company was incorporated on 27 July 2006, and on 15 September 2006 Ippodromi San Siro S.p.A. contributed its “horse racing operations” business unit.

(2) Wholly-owned subsidiary of SNAI S.p.A.

(3) Incorporated on 30 December 1999, with SNAI S.p.A. as sole member.

(4) Incorporated on 13 November 1996, and acquired by SNAI S.p.A. on 30 December 1999. On 3 August 2001, Teseo S.r.l. entered winding-up.

(5) Incorporated on 19 November 2008. The company is dormant. 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 following write-off of the company. The company was written off from the Trade Register on 25 February 2015.

(6) It was acquired by third parties on 5 May 2000. On 2 October 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 31 January 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.

(7) On 12 January 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%.

(8) A company incorporated under Luxembourg law on 10 March 2006 by SNAI S.p.A., which holds 30%, and FCCD Limited, a company incorporated under Irish law, which holds 70%.

(9) The shareholding was already owned at 30.70% by Ippodromi San Siro S.p.A. (formerly, Società Trenno S.p.A.), now merged into SNAI S.p.A.

(10) On 7 December 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 4 February 2015, the shareholders’ meeting resolved to wind up the company.

(11) Shareholding of 2.44% acquired on 19 July 1999 by Società Trenno S.p.A., which was subsequently merged into SNAI S.p.A., by incorporation.

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

1. The undersigned, Giorgio Sandi, in his capacity as President and Managing Director of SNAI S.p.A. and Marco Codella in his capacity as Executive Responsible for the preparation of the corporate and accounting documents of SNAI S.p.A. certify, taking into account the provisions of art.154 – bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:

    - The adequacy in consideration of the company's 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 31.12.2014.

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

3. We also certify that:

   3.1 the consolidated financial statement:

   a) is prepared in compliance with international accounting standards recognized in the European Community pursuant to EC regulation no. 1606/2002 of the European Parliament and Council, of 19 July 2002;

   b) reflects the data set forth in the accounting books and records;

   c) is adequate to provide a truthful and accurate representation of the balance sheet and economic and financial condition of the issuer and the companies included within 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, 17 March 2015

The President and Managing Director	**The Executive Responsible for the preparation of the corporate and accounting documents**
(Giorgio Sandi)	*(Marco Codella)*

SOCIETA' TRENNO S.R.L.
Registered office: via Ippodromo, 100 - 20151 Milan - Tax Code and VAT number 02044330468 - Milan REA no. 182035
Share capital Euro 1,932,230.00 fully paid in - Companies Register of Milan no. 02044330468

Financial statements prepared in accordance with IAS/IFRS standards

Balance Sheet as of 31 December 2014

(in Euro)

ASSETS	**31/12/2014**	**31/12/2013**
Non-current assets		
Property, plant and equipment owned	1,084,343	1,444,707
Assets held under financial lease	307	8,947
Total property, plant and equipment	**1,084,650**	**1,453,654**
Other intangible fixed assets	36,843	51,335
Total intangible fixed assets	**36,843**	**51,335**
Other financial assets	0	0
Deferred tax assets	1,195,138	1,074,396
Other non-financial assets	30,354	47,797
Total non-current assets	**2,346,985**	**2,627,182**
Current assets		
Inventories	29,513	26,479
Trade receivables	2,330,612	4,594,354
Other assets	5,843,745	4,964,272
Cash and cash equivalents	868,772	314,427
Total current assets	**9,072,642**	**9,899,532**
TOTAL ASSETS	**11,419,627**	**12,526,714**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31/12/2014**	**31/12/2013**
Shareholders' Equity		
Share capital	1,932,230	1,932,230
Reserves	4,652,450	5,789,484
Profit/(Loss) for the year	(2,875,623)	(6,041,780)
Total Shareholders' Equity	**3,709,057**	**1,679,934**
Non-current liabilities		
Post-employment benefits	2,158,212	2,268,170
Non-current financial liabilities	0	346
Deferred tax liabilities	268	1,717
Provisions for risks and charges	8,571	8,571
Sundry payables and other non-current liabilities	10,807	11,427
Total non-current liabilities	**2,177,858**	**2,290,231**
Current liabilities		
Trade payables	1,795,411	2,206,759
Other liabilities	1,123,400	1,141,583
Current financial liabilities	2,613,555	5,189,710
Current portion of long-term borrowings	346	18,497
Total financial liabilities	**2,613,901**	**5,208,207**
Total current liabilities	**5,532,712**	**8,556,549**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**11,419,627**	**12,526,714**

Società Trenno S.r.l.
Income Statement as of 31 December 2014

(in Euro)

	Fiscal year 2014	Fiscal year 2013
Revenues from sales and services	6,512,477	7,059,884
Other revenue and income	537,686	578,496
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(175,343)	(291,544)
Costs for services and use of third party assets	(4,688,643)	(7,508,608)
Costs of personnel	(4,595,290)	(6,138,731)
Other operating costs	(574,879)	(776,225)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**(2,983,992)**	**(7,076,728)**
Amortisation	(607,520)	(816,013)
Other provisions	0	0
Results of operations	**(3,591,512)**	**(7,892,741)**
Financial income	6,263	1,757
Financial expenses	(343,458)	(384,823)
Total financial income and expenses	**(337,195)**	**(383,066)**
PROFIT/(LOSS) BEFORE TAXES	**(3,928,707)**	**(8,275,807)**
Income tax	1,053,084	2,234,027
Profit/(Loss) for the year	**(2,875,623)**	**(6,041,780)**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	(95,254)	3,510
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**(95,254)**	**3,510**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	**0**	**0**
Total profit/(loss) in comprehensive income statement, after taxes	**(95,254)**	**3,510**
Total net profit (loss) for the year	**(2,970,877)**	**(6,038,270)**

Teleippica S.r.l. held by a sole quotaholder
Registered 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 - Companies Register of Lucca no. 01913970206

Financial statements prepared in accordance with IAS/IFRS standards

Balance Sheet as of 31 December 2014

(in Euro)

ASSETS	**31/12/2014**	**31/12/2013**
Non-current assets		
Property, plant and equipment owned	3,152,147	3,830,984
Assets held under financial lease	0	0
Total property, plant and equipment	**3,152,147**	**3,830,984**
Goodwill	443,129	443,129
Other intangible assets	129,761	151,122
Total intangible assets	**572,890**	**594,251**
Deferred tax assets	64,935	53,909
Other non-financial assets	151,788	151,320
Total non-current assets	**3,941,760**	**4,630,464**
Current assets		
Trade receivables	9,190,625	11,602,468
Other assets	404,732	674,679
Current financial assets	1,611,447	0
Cash and cash equivalents	810,840	1,003,873
Total current assets	**12,017,644**	**13,281,020**
TOTAL ASSETS	**15,959,404**	**17,911,484**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31/12/2014**	**31/12/2013**
Share capital	2,540,000	2,540,000
FTA reserves	73,848	73,848
Reserves	8,500,227	7,345,607
Profit (loss) for the year	585,384	1,195,140
Total Shareholders' Equity	**11,699,459**	**11,154,595**
Non-current liabilities		
Post-employment benefits	621,610	477,427
Non-current financial liabilities	0	0
Deferred tax liabilities	72,638	64,791
Provisions for risks and charges	0	0
Total non-current liabilities	**694,248**	**542,218**
Current liabilities		
Trade payables	1,608,807	1,755,795
Other liabilities	1,956,803	1,900,301
Current financial liabilities	87	2,558,575
Current portion of long-term borrowings	0	0
Total financial liabilities	**87**	**2,558,575**
Total current liabilities	**3,565,697**	**6,214,671**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**15,959,404**	**17,911,484**

TELEIPPICA S.R.L. held by a sole quotaholder
Income Statement as of 31 December 2014

(in Euro)

	Fiscal year 2014	Fiscal year 2013
Revenues from sales and services	11,845,951	11,192,714
Other revenue and income	316,645	571,166
Raw materials and consumables	(34,210)	(56,658)
Costs for services and use of third party assets	(6,766,579)	(5,953,465)
Costs of personnel	(2,620,006)	(2,344,864)
Other operating costs	(473,878)	(453,528)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**2,267,923**	**2,955,365**
Amortisation	(1,082,909)	(951,242)
Other provisions	0	0
Profit/(loss) before financial income/expenses, taxes	**1,185,014**	**2,004,123**
Gains and expenses from shareholdings	0	0
Financial income	19,109	4,136
Financial expenses	(297,569)	(177,681)
Total financial income and expenses	**(278,460)**	**(173,545)**
PROFIT/(LOSS) BEFORE TAXES	**906,554**	**1,830,578**
Income tax	(321,170)	(635,438)
Profit/(loss) for the year	**585,384**	**1,195,140**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	(40,520)	9,520
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**(40,520)**	**9,520**
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	**(40,520)**	**9,520**
Total net profit (loss) for the year	**544,864**	**1,204,660**

FESTA S.R.L. held by a sole quotaholder
Registered office: via Boccherini, 39 - 55016 Porcari (LU) - Tax Code and VAT no. 01755450465 - REA Lucca no. 169111
Share capital Euro 1,000,000.00 fully paid in - Companies Register of Lucca no. 01755450465 (6141/2000)

Financial statements prepared in accordance with IAS/IFRS standards

Balance Sheet as of 31 December 2014

(in Euro)

ASSETS	**31/12/2014**	**31/12/2013**
Non-current assets		
Property, plant and equipment owned	300,257	269,514
Assets held under financial lease	0	0
Total property, plant and equipment	**300,257**	**269,514**
Goodwill	185,925	185,925
Other intangible assets	35,146	38,383
Total intangible assets	**221,071**	**224,308**
Deferred tax assets	127,485	268,850
Other non-financial assets	9,496	9,697
Total non-current assets	**658,309**	**772,369**
Current assets		
Trade receivables	22,148	553,720
Other assets	582,781	633,471
Current financial assets	3,065,906	729,648
Cash and cash equivalents	27,650	318,946
Total current assets	**3,698,485**	**2,235,785**
TOTAL ASSETS	**4,356,794**	**3,008,154**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31/12/2014**	**31/12/2013**
Share capital	358,699	1,000,000
Reserves	422,955	905,819
Profit (loss) for the year	1,561,271	(1,117,872)
Total Shareholders' Equity	**2,342,925**	**787,947**
Non-current liabilities		
Post-employment benefits	123,983	131,326
Non-current financial liabilities	0	0
Deferred tax liabilities	60,091	60,091
Provisions for risks and charges	17,724	493,268
Total non-current liabilities	**201,798**	**684,685**
Current liabilities		
Trade payables	143,263	290,334
Other liabilities	1,668,808	1,245,188
Current financial liabilities	0	0
Current portion of long-term borrowings	0	0
Total financial liabilities	**0**	**0**
Total current liabilities	**1,812,071**	**1,535,522**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**4,356,794**	**3,008,154**

FESTA S.R.L. held by a sole quotaholder
Income Statement as of 31 December 2014

(in Euro)

	Fiscal year 2014	Fiscal year 2013
Revenues from sales and services	4,799,742	4,897,392
Other revenue and income	280,426	293,973
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	0	0
Costs for services and use of third party assets	(601,942)	(729,438)
Costs of personnel	(2,269,753)	(2,440,179)
Other operating costs	(38,598)	(92,062)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**2,169,875**	**(929,686)**
Amortisation	(64,958)	(81,913)
Other provisions	113,463	(420,000)
Profit/(loss) before financial income/expenses, taxes	**2,218,380**	**1,427,773**
Gains and expenses from shareholdings	0	0
Financial income	139,031	113,324
Financial expenses	(8,137)	(13,124)
Total financial income and expenses	**130,894**	**100,200**
Profit/(loss) from operating assets before taxes	**2,349,274**	**1,527,973**
Income tax	(788,003)	(513,871)
Net profit from operating assets	**1,561,271**	**1,014,102**
Net profit/(loss) from discontinued operations	**0**	**(2,131,974)**
Net profit/(loss) from operating assets and discontinued operations	**1,561,271**	**(1,117,872)**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	(6,292)	119
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**(6,292)**	**119**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	**0**	**0**
Total profit/(loss) in comprehensive income statement, after taxes	**(6,292)**	**119**
Total net profit (loss) for the year	**1,554,979**	**(1,117,753)**

IMMOBILIARE VALCARENGA S.r.l. held by a sole quotaholder
Registered office: via Ippodromo, 100 - 20151 Milan - Tax Code and VAT Code 03377490150 - Milan Rea no. 0476852
Share capital Euro 51,000.00 fully paid in - Companies Register of Milan no. 03377490150

Financial statement prepared in accordance with national accounting standards

IMMOBILIARE VALCARENGA S.R.L. Unipersonale
Balance Sheet as of 31 December 2014
(in Euro)

ATTIVO	**31/12/2014**	**31/12/2013**
(B) FIXED ASSETS:		
II PROPERTY, PLANT AND EQUIPMENT:		
1) land and buildings	137,932	143,865
2) plant and machinery	0	0
TOTALE	137,932	143,865
III FINANCIAL ASSETS:		
2) receivables:		
due by the end of the following year		
d) from other entities	11	11
TOTAL FINANCIAL ASSETS	11	11
TOTAL FIXED ASSETS (B)	**137,943**	**143,876**
(C) WORKING CAPITAL:		
II RECEIVABLES:		
due by the end of the following year		
1) from customers	39,241	22,351
4) from parent companies	255,795	245,293
4bis) tax credits	1,926	200
5) from others	0	18,115
TOTAL RECEIVABLES	296,962	285,959
TOTAL WORKING CAPITAL (C)	**296,962**	**285,959**
D) PREPAYMENTS AND ACCRUED INCOME	**13**	**1,477**
TOTAL ASSETS	**434,918**	**431,312**

LIABILITIES	**31/12/2014**	**31/12/2013**
(A) PATRIMONIO NETTO		
I SHARE CAPITAL	51,000	51,000
III REVALUATION RESERVES		
1) reserve pursuant to law no. 72 of 19/3/1983	23,795	23,795
2) reserve pursuant to law no. 413 of 30/12/1991	95,549	95,549
TOTAL REVALUATION RESERVES	119,344	119,344
IV LEGAL RESERVE	10,280	10,280
VII OTHER RESERVES		
1) extraordinary Reserve	7,360	7,360
2) reserve from conversion		
TOTAL OTHER RESERVES	7,360	7,360
VIII EARNINGS/(LOSS) CARRIED FORWARD	152,060	129,364
IX PROFIT/ (LOSS) FOR THE YEAR	7,899	22,696
TOTAL SHAREHOLDERS' EQUITY (A)	**347,943**	**340,044**
(B) PROVISIONS FOR RISKS AND CHARGES		
3) others	0	2,893
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**0**	**2,893**
(D) PAYABLES		
due by the end of the following year		
7) amounts due to suppliers	0	1,899
11) amounts due to parent companies	86,476	86,476
12) tax payables	300	0
14) other payables	0	0
TOTAL PAYABLES	**86,975**	**88,375**
TOTAL LIABILITIES	**434,918**	**431,312**

IMMOBILIARE VALCARENGA S.r.l. held by a sole quotaholder
Income Statement as of 31 December 2014

(in Euro)

			FISCAL YEAR 2014	FISCAL YEAR 2013
(A)	**VALUE OF PRODUCTION**			
	1)	revenues from sales and services	35,669	89,356
	5)	other revenues and income, with separate disclosure of capital grants	717	118
TOTAL VALUE OF PRODUCTION (A)			**36,386**	**89,474**
(B)	**COSTS OF PRODUCTION**			
	7)	for services	17,906	18,279
	10)	amortisation, depreciation and write-downs		
		b) depreciation of tangible assets	5,933	8,200
		d) write-down of receivables in working	199	204
		capital and cash on hand		0
		TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWN	6,132	8,404
	14)	sundry operating costs	16,834	31,013
TOTAL COSTS OF PRODUCTION (B)			**40,872**	**57,696**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)			**(4,486)**	**31,778**
(C)	**FINANCIAL INCOME AND EXPENSES**			
	16)	other financial income:		
		from securities recorded under fixed assets which are not shareholdings		
		from securities recorded under working capital which are not shareholdings		
		other income not included above		
		1) from parent companies	17,438	12,221
		4) from third parties		
		total	17,438	12,221
		TOTAL	17,438	12,221
	17)	interest and other financial expenses from:		
		da terzi	0	0
		TOTALE	0	0
TOTAL C (15+16-17+ - 17 bis)			**17,438**	**12,221**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**			
		a.1) proventi straordinari	2,893	0
		TOTALE PROVENTI STRAORDINARI	2,893	0
		b.3) tax on prior years	0	1,665
		various		
		TOTAL EXTRAORDINARY CHARGES	0	1,665
TOTAL EXTRAORDINARY ITEMS (20-21)			**2,893**	**(1,665)**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)			**15,845**	**42,334**
22)	Income taxes for financial year (current, deferred and paid in advance)			
	a)	Current taxes	(7,946)	(19,638)
23)	**PROFIT/ (LOSS) FOR THE YEAR**		**7,899**	**22,696**

TESEO S.R.L. in liquidation
Registered office: via Toscana, 8 - 90100 Palermo - Tax Code 01628410464 and VAT No. 0527160828 - Palermo REA no. 230322
Share capital Euro 1,032,000.00 fully paid in - Palermo Companies Register

Financial statements prepared in accordance with national accounting standards

Balance Sheet as of 31 December 2013
(in Euro)

ASSET	31/12/13	31/12/12
(A) SUBSCRIBED CAPITAL UNPAID		
(B) FIXED ASSETS:		
(C) WORKING CAPITAL:		
I INVENTORY:		
4) Finished products and goods	0	0
TOTAL INVENTORIES	0	0
II RECEIVABLES:		
due by the end of the following year		
1) from customers	783,894	3,212,370
TOTAL RECEIVABLES	783,894	3,212,370
IV CASH ON HAND		
1) bank and postal deposits	2,719	3,070
TOTAL	2,719	3,070
TOTAL WORKING CAPITAL (C)	**786,613**	**3,215,440**
D) PREPAYMENTS AND ACCRUED INCOME		
TOTAL ASSETS	**786,613**	**3,215,440**

LIABILITIES	31/12/13	31/12/12
(A) SHAREHOLDERS' EQUITY		
I SHARE CAPITAL	1,032,000	1,032,000
IV LEGAL RESERVE	1,444	1,444
VII OTHER RESERVES		
1) reserve from conversion	4,823,180	4,823,178
TOTAL OTHER RESERVES	4,823,180	4,823,178
VIII EARNINGS/(LOSS) CARRIED FORWARD	(5,843,062)	(5,799,983)
IX PROFIT/ (LOSS) FOR THE YEAR	634	(43,079)
TOTAL SHAREHOLDERS' EQUITY (A)	**14,196**	**13,560**
(B) PROVISIONS FOR RISKS AND CHARGES		
3) others	537,846	2,965,807
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**537,846**	**2,965,807**
(C) POST-EMPLOYMENT BENEFITS		
(D) PAYABLES		
due by the end of the following year		
14) other payables	234,571	236,073
due after the following year		
14) other payables		0
TOTAL PAYABLES	**234,571**	**236,073**
(E) ACCRUED LIABILITIES AND DEFERRED INCOME		
TOTAL LIABILITIES	**786,613**	**3,215,440**

TESEO S.R.L. in liquidation
Income Statement as of 31 December 2013

(in Euro)

				FISCAL YEAR 2013	FISCAL YEAR 2012
(A)	**VALUE OF PRODUCTION**				
	1)	revenues from sales and services		0	0
TOTAL VALUE OF PRODUCTION (A)				**0**	**0**
(B)	**COSTS OF PRODUCTION**				
	6)	for raw material, consumables and goods for resale			
	7)	for services		59,148	35,009
		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-DOWN		0	0
	11)	change in inventories for raw material, consumables and goods for resale			
	12)	Provisions for risks			
	13)	Other amounts set aside		0	0
	14)	sundry operating costs		3,932	8,213
TOTAL COSTS OF PRODUCTION (B)				**63,080**	**43,222**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)				**(63,080)**	**(43,222)**
(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	4
			total	0	4
		TOTAL		0	4
	17)	interest and other financial expenses from:		345	309
		TOTAL		345	309
TOTAL C (15+16-17+ - 17 bis)				**(345)**	**(305)**
(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		64,059	449
		TOTAL EXTRAORDINARY INCOME		64,059	449
	21)	Expenses with separate disclosure of capital gains from disposal, the accounting effect of which are not recordable at line 14) and of tax related to prior years:		0	1
		TOTAL EXTRAORDINARY EXPENSES		0	1
TOTAL EXTRAORDINARY ITEMS (20-21)				**64,059**	**448**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)				**634**	**(43,079**
23) PROFIT/ (LOSS) FOR THE YEAR				**634**	**(43,079**

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		Afea 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%
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2011**	**2010**
Assets								
Receivables from Shareholders								
Intangible assets	129,791	113,020	127,329	133,779	635,344	754,948		
Property, plant and equipment	34,155	50,063	1,790,720	1,976,431	3,969,777	4,014,031		
Financial assets	11'212	11,212	87,680	87,680	1,709,858	1,575,088		
Cash on hand	3,731	5,871	2,209,344	1,149,511	534,660	993,456	211,584	255,531
Financial receivables							20,497	45,160,217
Trade and miscellaneous receivables	242,460	267,083	2,454,076	5,306,406	9,302,319	12,652,872		
Other asset items	225,834	254,143	595,293	531,784	89,731	61,386	-	-
Total Assets	**647,183**	**701,392**	**7,264,442**	**9,185,591**	**16,241,689**	**20,051,781**	**232,081**	**45,415,748**
Capital and Liabilities								
Share capital	81,600	81,600	996,300	996,300	944,520	944,520	31,000	31,000
Profit/(loss) for the year	(50,478)	(3,263)	(138,754)	(543,283)	(2,133,320)	(2,483,972)	(206,080)	39,784
Earnings/(loss) carried forward	-	-	-	-	(2,483,972)	-	183,237	143,453
Other reserves	169.525	172,789	3,425,706	3,964,199	7,593,455	7,593,455	3,100	3,100
Total Shareholders' Equity	**200.647**	**251,126**	**4,283,252**	**4,417,216**	**3,920,683**	**6,054,003**	**11,257**	**217,337**
Post-employment benefit provision	115,895	98,775	535,331	535,147	1,053,233	1,080,958	-	-
Provisions for risks and charges			956,841	956,841	1,575,667	716,603	97,641	101,999
Financial payables falling due within one year							123,183	45,058,317
Trade and miscellaneous payables	299,025	315,001	1,083,687	2,819,765	9,391,956	11,834,871	-	-
Other liabilities items	31,616	36,490	405,331	456,622	300,150	365,346	-	38,095
Total Shareholders' Equity and Liabilities	**647,183**	**701,392**	**7,264,442**	**9,185,591**	**16,241,689**	**20,051,781**	**232,081**	**45,415,748**
Revenues								
Sales and services	731,920	871,992	2,752,801	3,435,483	6,811,113	6,350,397	-	-
Financial income	15	6	51,651	104,733	4,887	41,454	1,669,367	6,594,161
Other income	47,652	51,650	178,086	321,417	1,554,804	1,493,285	101,519	78,091
Losses for year	50,478	3,263	138,754	543,283	2,133,320	2,483,972	206,080	
Total income	**830,065**	**926,911**	**3,121,292**	**4,404,916**	**10,504,124**	**10,369,108**	**1,976,966**	**6,672,252**
Costs								
Purchases and services	465,798	547,555	1,715,027	2,506,966	4,799,656	6,151,736	-	-
Costs of labour	304,405	306,561	907,563	1,478,962	2,448,478	2,602,870	-	-
Financial expenses and write-down of shareholdings	6,761	7,271	-	3,333	65,267	23,295	1,499,405	6,345,325
Tax payables	1,426	23,171	17,333	-146,960	28,918	(1,416)	4,743	15,707
Amortisation and depreciation	44,850	38,254	305,914	349,555	1,227,565	1,204,653	-	-
Other costs	6,825	4,099	175,455	213,060	1,934,240	387,970	472,818	271,436
Profit for the year								39,784
Total costs	**830,065**	**926,911**	**3,121,292**	**4,404,916**	**10,504,124**	**10,369,108**	**1,976,966**	**6,672,252**

NOTES :

1) The data for Connext S.r.l. relate to 31/12/2013, the last available and approved financial statements.

2) The data for Alfea S.p.A. relate to 31/12/2013, the last available and approved financial statements.

3) The data for Hippogroup Roma Capannelle S.p.A. relate to 31/12/2013, the last available and approved financial statements.

4) The data for Solar S.A. relate to 31/12/2011, the last available financial statements.