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If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the enclosed Form of Proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

This document has been prepared for the purposes of complying with the laws of the Isle of Man and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any other jurisdiction.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Playtech plc that is set out in Part I of this document and which contains a unanimous recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of the General Meeting of Playtech plc to be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man at 11.00 a.m. on 29 May 2018 is set out at the end of this document. A Form of Proxy for use at the General Meeting accompanies this document. Whether or not you intend to attend the General Meeting in person, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by the Registrars no later than 11.00 a.m. on 24 May 2018. Shareholders who wish to submit a proxy electronically may do so by accessing www.investorcentre.co.uk/eproxy. Shareholders who hold their Ordinary Shares in CREST may utilise the CREST electronic proxy appointment service. Further instructions are given in the notice of the General Meeting at the end of this document. Completion and return of a Form of Proxy or the submission of a proxy electronically or the appointment of a proxy using the CREST electronic proxy appointment service will not prevent members from attending and voting in person should they wish to do so.

PLAYTECH PLC

(Incorporated in the Isle of Man with registered number 008505V)

Proposed acquisition of Snaitech S.p.A.

and

Notice of General Meeting

The Transaction is subject to, and conditional upon, *inter alia*, the approval of Shareholders at the General Meeting.

A summary of the action to be taken by Shareholders is set out on page 19 of this document and in the notice of General Meeting.

UBS, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no-one else in connection with the Transaction and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Transaction.

Apart from the responsibilities and liabilities, if any, that may be imposed on UBS under FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, UBS accepts no responsibility whatsoever and makes no representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Transaction. UBS accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

This document contains forward-looking statements which are subject to assumptions, risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement is correct only as of the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the rules of London Stock Exchange plc or by law.

This document is dated 11 May 2018.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Last time and date for receipt of a Form of Proxy for the General Meeting	11.00 a.m. on 24 May 2018
Last time and date for receipt of CREST Proxy Instructions for the General Meeting	11.00 a.m. on 24 May 2018
General Meeting	11.00 a.m. on 29 May 2018
Completion of the Initial Acquisition*	by 3 October 2018 [†]

Notes:

1. All time references in this document are to London time unless otherwise stated.
 2. The dates and times given in this document are based on the Company's current expectation and may be subject to change.
 3. Any changes to the timetable set out above will be announced via a Regulatory Information Service.
- * Subject to satisfaction of relevant conditions to completion of the Initial Acquisition, details of which are set out in paragraph 6.1 of Part V of this document.
- [†] Being the Long Stop Date (as defined in the Sale and Purchase Agreement) plus a further 25 calendar days for the closing of the Initial Acquisition.

GENERAL INFORMATION

Presentation of financial information

Unless otherwise stated:

- (a) financial information relating to Playtech has been extracted without material adjustment from the audited consolidated financial statements of the Company or from the unaudited consolidated interim financial statements of the Company;
- (b) financial information relating to Snaitech has been extracted without material adjustment from the Historical Financial Information set out in Part III of this Circular; and
- (c) all prices quoted for Ordinary Shares are closing prices in Pounds Sterling as provided by the London Stock Exchange.

Unless otherwise indicated, financial information in this Circular relating to the Company and Snaitech has been prepared in accordance with IFRS and consistently with the accounting policies adopted by the Company in preparing its financial statements for the period ending 31 December 2017.

Rounding

Certain data in the Circular, including financial, statistical and operating information, has been rounded. As a result of rounding, the totals of data presented in this Circular may vary slightly from the actual arithmetic totals of such data. Percentages have also been rounded and accordingly may not add up to 100 per cent.

PART I
LETTER FROM THE CHAIRMAN
PLAYTECH PLC

(Incorporated in the Isle of Man with registered number 008505V)

Directors

Alan Jackson *(Non-executive Chairman)*
Mor Weizer *(Chief Executive Officer)*
Andrew Smith *(Chief Financial Officer)*
Andrew Thomas *(Senior Independent Non-executive Director)*
Claire Milne *(Non-executive Director)*
John Jackson *(Non-executive Director)*
Paul Hewitt *(Non-executive Director)*

Registered Office

Ground Floor
St George's Court
Upper Church Street
Douglas
Isle of Man IM1 1EE

11 May 2018

Dear Shareholder,

Proposed acquisition of Snaitech S.p.A. and Notice of General Meeting

1. Introduction

On 12 April 2018, the Company announced that it had entered into an agreement to acquire a 70.561 per cent shareholding in Snaitech for a cash consideration of EUR 291 million. If the Initial Acquisition completes, Playtech Bidco will be required to make a Mandatory Takeover Offer for all the remaining Snaitech Shares (along with any options and any other instruments convertible into Snaitech Shares) at a consideration per share not lower than EUR 2.19 per share being the price paid by Playtech Bidco to the Sellers pursuant to the Initial Acquisition. The Company is aiming to purchase the entire issued share capital of Snaitech and if it does do it at the price of EUR 2.19 per share it will have paid EUR 413 million for the entire issued share capital of Snaitech and this would equate to an enterprise value of approximately EUR 846 million.

I am therefore writing to you today:

1. to provide further details of the Transaction, including the background to, and the reasons for, the Transaction;
2. to explain why the Directors consider the Transaction to be in the best interests of Shareholders as a whole; and
3. to seek your support for, and approval of, the Transaction.

A summary of the principal terms and conditions of the Initial Acquisition and the Sale and Purchase Agreement is set out in paragraph 5 of this letter and paragraph 6.1 of Part V of the Circular.

The Transaction, because of its size in relation to the Company, is a Class 1 transaction under the Listing Rules and is therefore conditional, amongst other things, upon the approval of Shareholders. A General Meeting is to be held at 11.00am at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man on 29 May 2018 for the purpose of seeking such approval and a notice convening the General Meeting is set out at the end of this Circular.

If the Resolution is passed at the General Meeting, completion of the Initial Acquisition is expected to take place in the next few months (subject to satisfaction or waiver of the other conditions to the Initial Acquisition), with the overall Transaction expected to complete later this year.

You will find definitions for certain capitalised terms used in this letter and in the rest of this Circular in Part VI of this Circular.

2. Information on the Snaitech Group

2.1 *Introduction to the Snaitech Group*

Snaitech is one of the leading operators in the Italian gaming and betting market with a broad portfolio of long-term concessions granted to it by ADM, the Italian gaming industry regulator. Snaitech offers a wide range of gaming and betting products, including gaming machines, sports and horse race betting and virtual events and online sports betting and skill and casino games.

On 19 November 2015, Snaitech acquired Cogemat (the “**Cogemat Acquisition**”), another significant gaming and betting operator in Italy. Prior to the Cogemat Acquisition, the Cogemat Group operated independently in certain of the same market segments as Snaitech, and the Cogemat Acquisition, therefore, enhanced Snaitech’s market position across each of its primary business lines and was complementary as regards both product range and geography. Snaitech now operates the second largest gaming machine network in Italy comprising approximately 14,000 POS, 50,000 AWP’s and 10,000 VLT’s and, as at 31 December 2017, had a market share in Italy of 14.6 per cent by GGR from gaming machines. Furthermore, for the year ended 31 December 2017, it had a 20.3 per cent market share in Italy, by total GGR, of the retail betting sector, which includes retail sports and horse race betting and virtual events, making it the largest retail betting operator in Italy.

In the retail segment, Snaitech operates a B2B2C model with few directly owned retail locations. Its gaming machines (VLT’s and AWP’s) are primarily located in third party retail outlets including arcades, bars, restaurants, betting shops and betting corners. As at 31 December 2017, Snaitech’s retail betting network of more than 1,600 betting shops and corners consisted of only 17 directly operated shops with the remainder operated by franchisees.

In addition, for the year ended 31 December 2017, by GGR, Snaitech had a 10.6 per cent market share in the Italian online betting market sector and a 5.4 per cent market share in the Italian online skill and casino games market sector.

Alongside Snaitech’s operations in the retail gaming sector, it is also involved in the supply of specialised services for betting to independent concession holders; the provision of commercial services (such as phone top-ups and payment of bills of public administration authorities) and horse racing television and radio broadcasting.

The Snaitech Shares are currently listed on the Milan Stock Exchange. For further information on Snaitech and its financial position, please refer to the historical financial information relating to Snaitech shown in Part III of this Circular.

2.2 *History and Development*

Snaitech’s business was first established in 1906 and was initially involved in organising and managing horse races. Over time, it extended its operations to build racecourses for harness horse racing and flat horse racing and provided training centres for racehorses.

A brief history of the development of Snaitech since then is set out below:

- 1990s, it extended its activities to providing technology and technical services to horse race agencies.
- 1994, it began acting as a totalisator for horse race betting on behalf of UNIRE.
- 1996, through the acquisition of a controlling stake in a listed horse track operator it became a public company with its shares listed on the Milan Stock Exchange.
- 2001, it became an information technology service provider for bingo halls.
- 2003, it was granted a concession for Totocalcio and Totogol, both Italian football pools games.
- 2004, it became a concessionaire for AWP’s.

- 2006, it had the highest number of sports and horse race betting concessions in Italy. That year, Italy began a process of liberalising gaming and betting and expanding the gaming and betting network, by allowing each existing Italian and foreign concession holder to apply for additional gaming and betting concessions and introducing online skill games, including online poker, that were not previously permitted in Italy.
- 2008, it entered into the online skill games market, in particular offering online poker.
- 2009, the Italian Parliament approved the introduction of VLTs in Italy. Only existing holders of AWP concessions were allowed to participate in the tender process for rights for VLTs and it successfully applied for 5,052 rights, each right allowing it to install one VLT. It completed the installation of all 5,052 VLTs in 2013.
- March 2011, Global Games, a company owned 50/50 by Global Entertainment S.A. (of which Invest Industrial IV L.P. holds a majority stake), and by Global Win S.r.l. (of which Venice European Investment Capital S.p.A. holds a majority stake) acquired 50.68 per cent of the Snaitech Shares from SNAI Servizi S.p.A and a further 16.51 per cent by way of a mandatory takeover offer. In 2011, it also entered the online cash and casino games market.
- August 2012, it launched the use of a mobile application for smartphones and tablets to be used for sports betting and, in December 2012, launched online AWP.
- November 2013, the directors of Snaitech approved the issue of the 2018 Senior Secured Notes and the 2018 Senior Subordinated Notes.
- 2015, it set up a dedicated subsidiary to manage POS, as well as the centralisation and management of such direct POS. This subsidiary acquired Finscom S.r.l and the business segment of SIS S.r.l. In 2015, it also issued the 2018 Mirror Notes and, as mentioned in paragraph 2.1 above, completed the Cogemat Acquisition.
- 2016, it approved the 2016 Snaitech Refinancing, which involved the entry into of the 2016 Snaitech Revolving Credit Facility, the cancellation of a previous revolving credit facility which had been entered into on 27 November 2013, the 2016 Tender Offer, the issue of the 2021 Snaitech Notes and the application by Snaitech of the proceeds of the issue of the 2021 Snaitech Notes, together with cash on Snaitech's balance sheet, to satisfy and discharge and ultimately redeem the 2018 Snaitech Notes.

2.3 *Snaitech and the Italian regulatory regime*

Under Italian law, a person wishing to carry out betting and gaming business activities is required to obtain:

- a specific license (for betting and/or gaming machines) through a concessionaire awarded by ADM; and
- a TULPS Licence, under article 88 TULPS, for each POS, at which betting takes place, and for each ADI installed at any premises.

If AWP are installed in premises different from the POS (e.g. tabaccherie, bar), a permit is also required from the Municipality (so called SCIA).

2.3.1 *Snaitech Concessions*

Snaitech holds the following concessions:

- the Gaming Machines Concessions, relating to ADI activities, expiring in March 2022;
- the Monti Concession, relating to sports and horse racing games, which expired on 30 June 2016;

- the Bersani Horse Race Concession, relating to horse racing betting, which expired on 30 June 2016;
- the Bersani Sports Concession, relating to sports betting, which expired on 30 June 2016;
- the Giorgetti Concession, relating to horse racing public games, which expired on 30 June 2016; and
- the Online Gaming Concession, relating to online sports and horse racing betting, virtual events, horse racing games, poker, skill games and bingo, expiring in December 2022.

Under Italian law, new concessions (which also includes the renewal of expired concessions) are awarded through a public tender process. The Stability Law 2016, provided that, pending the launch of such a new public tender process, existing concessionaires who held expired concessions were allowed to continue their activities until the new concessions in respect of the matters covered by the expired concessions had been awarded through the public tender process.

In connection with the Expired Concessions, Snaitech:

- filed an application with ADM whereby Snaitech undertook to participate in future public tender processes in respect of the matters covered by the Expired Concessions; and
- delivered a guarantee (or extended their existing guarantees) in favour of ADM in respect of the Expired Concessions covering all the obligations arising in respect of such concessions up until 30 June 2018.

The Stability Law 2018 provided that the new public tender process in respect of the matters covered by the Expired Concessions would take place on or before 30 September 2018 and that, in the meantime, the Expired Concessions for existing concessionaires were extended (subject to the concessionaires agreeing to make the requested payments detailed below) until 31 December 2018 and the relevant guarantees given by such concessionaires to ADM were extended until 31 December 2019.

Rights under the Concessions

- Under the Betting Concessions, Snaitech was granted 1,728 “sport rights” which allow it to operate a number of POS corresponding to the gaming rights acquired and to conduct betting activities at such POS;
- under the Gaming Machines Concessions, Snaitech was granted the right to operate approximately 60,000 AWP and VLTs; and
- under the Online Gaming Concession, Snaitech was granted the right to operate online sports and horse racing betting and other online games within Italy.

In relation to the Expired Concessions, the concessionaires have the right to waive the gaming rights (without payment) or to extend them until 31 December 2018, by filing a request to ADM before 31 January 2018. In order to extend such rights the concessionaire would also be obliged to pay the following annual amounts:

- EUR 6,000 for each POS where the main activity is the commercialisation of public gaming products; or
- EUR 3,500 for each right relating to a POS where the marketing of public gaming products was only an ancillary activity.

In response to the Stability Law 2018, Snaitech:

- waived 2,514 horse betting rights for the calendar year ended 31 December 2018 as they were not profitable due to unfavourable market conditions relating to the horse betting business; and
- extended 2,051 horse betting rights (311 shop and 12 corner) and sport betting rights (769 shop and 959 corner), and paid an aggregate concession fee for such extension of EUR 9,878,500.

2.3.2 *Snaitech TULPS Licences*

As stated above, each POS at which betting activities are carried out and each ADI at any premises requires a TULPS Licence. The TULPS Licence may be issued directly to the concessionaire or to a third party operator appointed (*incaricato*) by the concessionaire.

The issue of a TULPS Licence is regulated both at a national level, where certain general principles are laid out, and at a regional and municipal level where certain detailed requirements and/or restrictions are provided.

The issue of a TULPS Licence is subject to various requirements. Some of these requirements are restrictions imposed by some regional and local regulations which provide, for example, certain mandatory distances to exist between the POS in question and certain “sensitive places” (e.g. schools, churches, hospitals, etc.) and limits to the duration of the TULPS Licence.

The TULPS Licences are personal in nature and cannot be transferred to another person.

A TULPS Licence can be withdrawn in the event the holder ceases to comply with the requirements set out therein. Carrying out a gaming activity without complying with the requirements set out in a TULPS Licence is a criminal offence.

2.3.3 *AWPs*

As stated above, AWP are subject to the separate issue of a permit by ADM.

The Italian Ministerial Decree dated 25 July 2017, required each concessionaire, including Snaitech, to:

- (a) by 31 December 2017, reduce by 15 per cent the number of permits it held as at 31 December 2016; and
- (b) by 30 April 2018 reduce by at least 34.9 per cent the number of permits it held as at 31 December 2016.

If a concessionaire, such as Snaitech, fails to comply with the requirements above, ADM will levy a fine on a concessionaire equal to EUR 10,000 for each AWP for which it has a permit in excess of the threshold and disconnect the relevant machines from the network.

In addition certain national, regional and local restrictions on gaming activities still remain to be implemented based on the Stability Law 2016 and the resolution of the Unified Conference State – Regions (*Conferenza Unificata Stato Regioni ed enti locali*) held on 7 September 2017. The Unified Conference State – Regions provided, amongst other things, (i) that regions and municipalities will adopt regulations to ensure a balanced distribution of the gaming activities within their respective territories; (ii) that for each gaming activity, municipalities may establish time restrictions prohibiting use of AWP for up to six hours per day; and (iii) further reductions (to those provided by the Italian Ministerial Decree dated 25 July 2017 as detailed above) to the number of the POS where AWP are installed (in particular a reduction is proposed at the national level from the existing 98,600 POS to 55,000 in the next three years). The resolution should have been implemented by a MEF Decree to be issued by 31 October 2017, but the decree has yet to be issued.

The AWP segment involves three market participants:

- the concessionaire (such as Snaitech), who is responsible to ADM for, the establishment and management of the network connection, the data transmission to ADM, the proper functioning of the AWP and the collection and payment of taxes. The concessionaire receives a fixed fee for each AWP per day as well as a commission based on a percentage of wagers;
- the AWP operator, known as the “*gestore*”, who is the owner of the machines and responsible for the initial deployment, management and maintenance of the AWP and enters into a revenue-sharing contract with the retailer who then displays the machine. The *gestore* operates in partnership with the concessionaire; and
- the retailer, who is responsible for collections from the final consumer and provides the physical POS where the AWP are operated.

A concessionaire may also act as *gestore* and, as at 31 March 2018, Snaitech was the *gestore* for over 6,000 of their AWP.

Snaitech enters into agreements, as the concessionaire, to provide network connection services to *gestores* who, in turn, provide the AWP to retailers to position in physical POS (for example bars, tobacco shops and newsstands). Snaitech, as concessionaire and *gestore*, also enter into direct agreements with retailers. These retailers are required to place AWP in their POS in such a manner that they are tamper-proof and are required to ensure that minors do not play on the AWP.

These contracts generally last for the duration of the concession, but include performance clauses, enabling Snaitech to end its contractual relationship with non-performing operators or retailers quickly and efficiently. Snaitech may also terminate these contracts without cause on six months’ notice.

2.3.4 Concessions

As noted above concessions are awarded by ADM by means of public tenders. A concession agreement is entered into between ADM and the winning concessionaire, with the relevant terms and conditions of such agreements being set by ADM. The Stability Law 2011 and the concession agreements provide for detailed terms, which also apply to the Snaitech concessions, that include amongst other things:

- the agreement’s duration and fee payable by the concessionaire;
- the form and the amount of the guarantees to be granted by the concessionaire in favour of ADM;
- the conditions for the revocation and early termination of the concession agreement by ADM and penalties in case of breach of any of the obligations set out therein;
- an obligation on the concessionaire to comply with certain subjective (e.g. anti-mafia) and objective requirements (e.g. financial soundness requirements). The financial soundness and similar requirements include a requirement on the concessionaire to maintain a debt/equity ratio below the threshold set out by the MEF (which shall not be higher than 4.0x) (*rapporto di indebitamento*), a minimum capitalisation for the ultimate entity controlling a concessionaire and a requirement before dividends are paid, for the concessionaire to confirm to ADM that it has complied with its investment and similar obligations under the concession agreement;
- to maintain in the by-laws of the concessionaire adequate measures to prevent conflict of interests of its directors, chairman, attorneys-in-fact (*procuratori*) and include requirements as to their integrity and professionalism;

- the requirement on the concessionaire to maintain for the duration of the concession various conditions (registered offices and the facilities, including technological facilities, hardware and software devoted to the activities under the concession) relating to its operations in Italy or in one of the states of the EEA;
- to seek ADM's prior consent for various changes in the legal status of the company which holds the concession including mergers and changes to the objects of the company that holds the concession;
- to seek ADM's consent if the concessionaire intends to use any excess profits generated from it having used financial leverage in its business for purposes other than the reinvestment into the activities of the concessionaire covered by the concession; and
- a prohibition on the concessionaire making loans or providing guarantees in favour of its parent company or subsidiaries or affiliated companies or affiliated or controlled by the same parent company unless such loans and guarantees do not cause the concessionaire to breach the financial soundness requirements noted above and the concessionaire can prove that such loans and guarantees are provided on better terms than it could achieve with external financing parties. ADM needs to be kept informed where such loans and guarantees are made or provided.

2.4 **Key Strengths**

Playtech believes that the key strengths and competitive advantages of Snaitech include the following:

2.4.1 *Operating in an attractive and resilient gaming and betting market, with significant potential growth in VLT and online*

Italy is one of the largest and most developed gaming and betting markets in Europe with estimated GGR of EUR 20.1 billion for 2017. Gaming and betting has historically been one of the fastest growing sectors of the Italian economy with a robust track record of growth, even during periods of declining GDP, driven by a progressive liberalisation of the regulatory framework, modernisation of existing retail shops and stricter controls over illegal gaming. From 2008 to 2017, during which time Italian GDP contracted at a CAGR of -2.35 per cent, the wagers of the Italian gaming and betting market grew at a CAGR of 8.8 per cent according to ADM data, reaching estimated total wagers in Italy of approximately EUR 102 billion.

The market in which Snaitech operates is regulated by ADM, and permission to operate in the industry is granted by a limited number of typically long-term concessions. Even though the regulations themselves change periodically, Playtech believes the overall structure of the Italian regulatory regime provides clear rules, which allows operators such as Snaitech to develop and implement its business strategy with confidence and creates a regulatory environment that it believes is generally favourable to gaming and betting providers.

In addition, Playtech believes that the Italian gaming and betting market exhibits appealing prospects for future growth, driven by factors including a resilient retail betting channel (favouring operators with strong retail networks like Snaitech) and a growing online channel, with a regulatory framework that has historically favoured the introduction of new products. Playtech and Snaitech believe that Snaitech is well-positioned to benefit from these growth opportunities.

2.4.2 *Leading market positions in key market segments*

Snaitech has a strong market position across its primary business lines, which Playtech believes are also the strongest segments of the Italian gaming and betting market. Snaitech is now one of the leaders in the Italian gaming machine segment, where it has a number two position and, as of 31 December 2017, a 14.6 per cent market share by GGR, based on combined numbers of AWP and VLTs.

Snaitech also has a leading market position in the Italian retail sports, horse racing and virtual events betting segment where, as of 31 December 2017, it has a 20.3 per cent market share by GGR, making it the largest retail betting operator in Italy. In the online betting segment, Snaitech is also one of the leading operators with, as of 31 December 2017, a 10.6 per cent Italian market share by GGR, and is also a leading operator in the Italian online skill and casino games market segment with, as of 31 December 2017, a 5.4 per cent market share by wagers.

Significantly, Snaitech has the leading market position in the segments of the Italian gaming and betting market that are growing most rapidly. The gaming machines, retail betting and online games and betting segments grew at CAGRs of 0.8 per cent, 19.5 per cent and 15.1 per cent, respectively, between 2013 and 2017, based on wagers.

2.4.3 Strong competitive advantages, underpinned by an extensive distribution network and a well-established brand

The Italian gaming and betting market may prove difficult for new entrants (including overseas operators) to penetrate, due to, among other things, the preference of Italian consumers for offline gaming and betting channels as well as certain regulatory, technological and operating requirements specific to the Italian market.

The Italian marketplace is characterised by a focus on “bricks and mortar” where approximately 74 per cent of market-wide wagers in 2017 were bet at betting shops and corners, which favours operators like Snaitech, who have a large footprint across Italy. The scale and breadth of Snaitech’s network was formed through its long history of leadership in the Italian betting and gaming sector, and it has POS in every region of Italy. Snaitech’s distribution networks have, according to ADM and third party data, created one of the largest betting and gaming machine networks in Italy with, as of 31 December 2017, more than 1,600 betting shops and corners and approximately 54,000 AWP and 10,000 VLTs. This extensive network affords Snaitech a cross-selling and cross-promotional platform.

Snaitech’s brand presence throughout Italy and its long history in the marketplace serves as another competitive advantage which Playtech believes helps it to foster and maintain customer loyalty. For example, Snaitech’s market share in terms of wagers tends to increase around high-profile sporting events, such as the FIFA World Cup and UEFA European Championship, because a greater number of customers, including those who rarely place wagers, place bets with Snaitech as a result of its large network and strong brand names. As a result, a new competitor would need significant financial resources, operating expertise and a qualified workforce to build profitable operations and a strong reputation in the marketplace.

Regulatory requirements also make it difficult for new players to enter the market and public tenders for new or bolt-on concessions are infrequent. Furthermore, incumbent concessionaires, such as Snaitech, can demonstrate the extensive expertise in information technology processes required for the operation of a gaming network which is part of the criteria established by ADM for participation in public tenders for gaming and betting concessions. Snaitech has successfully participated in all public tenders for multi-concessions and has had a 100 per cent track record of successfully renewing such concessions since 2000.

2.4.4 Balanced business model with flexible structure

Snaitech offers its customers a broad range of products, from offline and online betting, to gaming machines (AWPs and VLTs) and online skill and casino games. Playtech believes Snaitech has been able to adapt its product offering to evolving customer trends and to successfully diversify its revenue streams, creating a more stable revenue base. Snaitech’s horse race betting, gaming machines and online skill and casino games businesses generate stable revenues as the pay-out levels are generally set by applicable law or regulation which reduces its exposure to sports betting, where pay-out levels fluctuate over time and bookmaking risk is incurred.

In addition, the Cogemat Acquisition has also enabled Snaitech to further diversify its product offering by entering the convenience payment services market segment. Through this segment, a segment in which it did not previously operate, it now offers services such as utility bill payment, mobile phone top-ups, phone cards and gift cards. These additional services attract new customers to its POS, increasing footfall in its retail locations, which it hopes would result in increased wagers from those locations and finally avoiding the potential competition of some gaming operators offering the same services.

Snaitech's diversified product portfolio provides it with know-how of the entire gaming and betting market that helps it cater to and anticipate changes in consumer behaviour and adapt faster to regulatory and technological changes. For example, when rolling out its online gaming and betting offering, it leveraged its existing offline platform to sell prepaid and rechargeable Snaitech cards. Playtech believes that Snaitech's market leading position and strong brand name in offline betting, especially sports and horse race betting, generates new customers for its online channel, virtual events and gaming machines, as its existing offline customers choose Snaitech as their gaming and betting provider at home or using their mobile and tablet apps.

Playtech believes that Snaitech's position as an authorised "multi-concession holder" in all multi-concession segments of the Italian gaming and betting industry, mitigates the concession renewal risk compared to mono-concession businesses such as lotteries with typical binary risk related.

Playtech believes that Snaitech also benefits from operating a B2B2C model in the retail segment with few directly owned retail locations. This business model provides a lean and flexible cost structure, with limited maintenance and capital expenditure requirements, that helps to shield its operating and financial performance from swings in volumes and temporary market shocks. In contrast to some of its competitors, Snaitech neither owns nor operates the majority of its shops and it does not incur any substantial rental and personnel expense, and its payments to its network partners (distribution costs and concession fees) are linked to wagers and hence variable in nature. Snaitech has limited vertical integration with its gaming machines (VLTs and AWP) primarily located in third party retail outlets including arcades, bars, restaurants, betting shops and betting corners. Approximately 12 per cent of its AWP are directly operated, reducing the effect from potential regulatory changes and limiting its capital expenditures for any roll-out of new AWP machines. In addition, its large AWP and VLT networks allows it to exploit economies of scale, spreading the cost of providing coin collection and outage response over more machines (minimising machine downtime and maximising revenue potential). In the betting segment, as at 31 December 2017, Snaitech's retail betting network consisted of more than 1,600 betting shops and corners with only 17 directly operated shops with the remainder operated by franchisees. As a result, Snaitech's variable costs represented 81.7 per cent for the year ended 31 December 2016 and 82.3 per cent for the year ended 31 December 2017.

2.4.5 Significant free cash flow generation and prudent liquidity management provides scope for innovation and investment

Snaitech's business is highly cash generative. For the years ended 31 December 2016 and 31 December 2017, Snaitech's free cash flow was EUR 22 million (before refinancing) and EUR 54 million, respectively. In addition, Snaitech has managed its liquidity to consistently operate with liquidity in excess of approximately EUR 100 million. Snaitech's liquidity management is designed to allow it to meet its capital expenditure and other cash requirements. Major capital expenditure has historically been acquisitions or renewals of concessions and Snaitech has demonstrated a successful track record of preparing for the renewal of its concessions and successfully managing its liquidity. Capital expenditure related to the ongoing maintenance and reallocation of Snaitech's gaming machines is also modest due to Snaitech's in-house operational capabilities.

The strength of its underlying financial performance allows Snaitech to continue to invest in its businesses by developing innovative and exclusive content whilst overhauling existing technology across its desktop, mobile and machine platforms. Continued investment improves customer experience across the platform and drives customer stickiness.

2.4.6 Experienced management team with a successful operational and financial track record

Snaitech's senior management team comprises individuals with extensive experience in the Italian gaming and betting industry. The CEO, Mr. Fabio Schiavolin, was one of the original co-founders of the Cogemat Group, which grew from a small operator into an established player in the Italian gaming market. Following the Cogemat Acquisition, Snaitech's management team was strengthened by the integration of the Cogemat Group's experienced senior managers into the management team of Snaitech. As a result of the integration of the management teams of Snaitech, which had significant experience in the betting segment, and the Cogemat Group, which had significant experience in the gaming machines segment, Snaitech's management team now represents a mix of individuals with complementary experience in two of the key market segments in the Italian gaming industry. Its management team has a successful track record of managing acquisitions, with the Snaitech management team having guided Snaitech through the Cogemat Acquisition, and the Cogemat Group team having led the Cogemat Group through a number of acquisitions, including the purchase of Ladbrokes Italy in 2011.

3. Background to and reasons for the Transaction

Playtech's stated strategy is to acquire fully-regulated businesses in high growth markets

Playtech management's strategy is to accelerate EBITDA growth by consolidating its market leading position in the gambling sector organically and through mergers and acquisitions.

The Initial Acquisition is in line with Playtech's stated acquisition strategy to acquire high quality businesses in regulated, high growth geographies and industries. In addition, the Playtech management has set out to deliver shareholder value by:

- investing in or acquiring brands and businesses that can survive future changes in industry and consumer practices; and
- delivering greater penetration into existing and newly regulated markets.

Playtech has successfully executed on its strategy to diversify its geographical exposure through organic expansion into high growth, newly regulated markets in Europe and Latin America. Playtech management is also cognisant of the need to augment this growth by utilising its existing cash reserves and strong balance sheet to further diversify its geographical revenue in order to:

- deliver a meaningful increase in the quality of earnings (higher percentage of regulated revenue);
- accelerate the growth of the Playtech Group by gaining exposure to high growth markets; and
- continue to provide sufficient levels of free cash flow to meet the Company's historic levels of shareholder returns, as well as to contribute to ongoing growth by sustaining investment in R&D and marketing.

An important strategic objective of the Board and Playtech management was to deliver more material acquisitions in order to reduce the concentration risk of geographical revenues and reliance on too few markets.

Convergence of the B2B and B2C models

Given the depth and breadth of Playtech's offering across the gambling value chain and the extensive CRM and marketing capabilities of the Company's omni-channel platform there exists operational leverage in the convergence of Playtech's B2B and B2C activities under a B2B2C model.

Further investment in a B2C model provides Playtech with greater strategic optionality when devising its approach in newly regulated and unregulated markets. Whilst Playtech's core B2B business model will continue to be the source of the majority of its revenue and profits, greater capabilities and operations in B2C will benefit the Playtech Group's B2B activities, acting as a catalyst for future technology and product developments for the benefit of Playtech's B2B licencees and acting as a showcase and proof of concept for Playtech's omni-channel approach in fast growing newly regulated markets.

Although further B2C activity brings with it the potential for accelerated growth through exposure to additional elements of the value chain, Playtech management will take a market by market approach when assessing the benefits of a B2B or B2C offering under the B2B2C model. When assessing the risks associated with B2B conflicts, the Playtech management will consider:

- the size of the market and opportunity;
- geographical exposure;
- the nature of the market and specifically how sensitive it is to a mixed B2B/B2C model;
- the stability of the market; and
- the regulations and number and quality of other local and offshore operators.

Italian market and Snaitech

The fully regulated, high growth Italian gambling market is a highly attractive and strategically important market. The Italian gambling market is one of the largest gambling markets in Europe, and continues to offer attractive growth opportunities for scale operators.

Online gaming in Italy is currently not as developed as the UK with online penetration estimated at 7 per cent in 2017 compared to the UK at 41 per cent. The Italian market is currently driven by retail activity but the online segment presents a significant growth opportunity and is expected to increase going forward. The gaming machines segment is also expected to increase significantly through VLT network expansion.

The Italian market is less sensitive to a mixed B2C and B2B model making it a strategically important market for Playtech. Mixed business models are common in the jurisdiction with the B2B2C franchise model well established and with some existing B2C operators also established as important B2B providers. Joint ventures between competitors in verticals such as Lottery are also already common place in Italy.

Snaitech's distribution capabilities via its B2B2C retail model make it a highly complementary and strategic acquisition for Playtech. Snaitech is one of the leading retail and online sports betting and gaming brands in Italy. Playtech's strategy has been to invest in and partner with the leading retail brands in high growth regulated markets and the B2B2C model will allow Playtech to leverage its existing content and software. Existing local retail brands are best placed to lead the growth of new online markets due to:

- well established and well recognised brands (usually the local bookmakers and slot halls operators);
- retail companies enjoying high retail market share;
- offshore operators facing higher barriers to entry once markets are regulated;
- increased player acquisition costs as markets regulate given finite availability of media buying opportunities;
- regulated markets reducing marketing firepower of .com operators; and
- increased competition.

4. Benefits of the Transaction

Playtech believes that the key benefits of the Transaction to its Shareholders include the following:

Creation of the first vertically integrated operator in Italy

The proposed Transaction represents a unique opportunity to combine two market significant players in two complementary industries. A combination of Playtech and Snaitech will allow both companies to benefit from economies of scale and the experience of the combined management of the two groups, with the potential to offer consumers new and innovative services at competitive terms. A combination would create the first fully integrated operator in Italy that will control its own technology across all products and verticals from retail to online.

Playtech will expand and scale Snaitech's online business, leveraging Playtech's robust methodologies, expertise and skills, state-of-the-art technology platforms and marketing investment. Playtech intends to drive convergence between the Snaitech and Playtech platforms through cross selling casino and sports betting solutions as well as developing bespoke content and migrating various Snaitech eco-systems to an enhanced, customised offering developed by Playtech.

The integration of Playtech's technology suite with Snaitech's sports betting retail network and gaming machines will allow it to create a true sports and gaming omni-channel solution for the Italian market. In addition, the combination will allow both Playtech and Snaitech to maximise product and content development expertise to jointly develop and distribute the new generation AWP, subject to the new law being passed. In addition, Snaitech's know-how of the distribution and end-user management models through the retail channel and its convergence with mobile technologies, a segment where Playtech excels, are key assets to allow Playtech to diversify and to approach a constantly evolving gaming market.

Snaitech is the perfect entry point into the highly attractive Italian market – a market in which Playtech already has significant expertise

Snaitech is the largest retail sports betting operator in the Italian market with over 1600 retail betting POS. Snaitech's online activity comprises betting, bingo, casino, poker and skill games and had over 270,000 active players in 2017. Playtech has been operating for eight years on a B2B basis in the Italian market and will be able to leverage and combine its expertise in the Italian market with Snaitech. In particular, Playtech intends to roll-out a large suite of new VLTs for Snaitech, leveraging the highly competitive performance of Playtech's VLTs (second best as of the end of 2017) against the total potential Snaitech capacity. The combination of Playtech and Snaitech will allow Snaitech to increase its market share in Italy, as well as taking advantage of the positive market dynamics in both the online and gaming machine segments.

The Transaction will leverage the combined knowledge and experience of two strong management teams in the retail and online gaming segments

The proposed Transaction would allow Playtech and Snaitech to leverage the substantial knowledge and experience of both management teams in order to develop and grow further in their respective markets. Playtech management's experience in the online gambling B2B sector (combined with the knowledge gained from its B2C partnerships including through the joint-venture development of William Hill Online) and other structured agreement in regulated markets will complement Snaitech management's knowledge of the B2C sector. Fabio Schiavolin, the Snaitech CEO and the Snaitech senior management team will remain with the business following the Transaction.

Both management teams also have a recent and successful track record of the integration of a new business following Snaitech's acquisition of Cogemat in 2015 and Playtech's acquisitions of Eyecon and ACM in 2017 and BGT, amongst other assets, in 2016.

Material cost and revenue synergies

Playtech management expect the combination of Playtech and Snaitech to achieve a run rate of approximately EUR 10 million of cost synergies within three years. Cost synergies are expected to be delivered through a number of factors including the internalisation of a selected number of current Snaitech

VLTs and a selected share of Snaitech's virtual offering (including sports and virtual events) as well as cost savings associated with purchasing data from external providers and Snaitech's current listing.

Playtech management also expect the combined expertise of both the Playtech management team and the Snaitech management team across retail and online products and CRM and marketing, will enable the Enlarged Group to deliver strong revenue synergies through effective cross-selling of Playtech's products through the Snaitech network and the sharing of information to allow both businesses to grow further in their respective markets. Playtech management's experience in the online gambling B2B sector (combined with the knowledge gained from its B2C partnerships including through the joint-venture development of William Hill Online) and other structured agreements in regulated markets will complement Snaitech management's knowledge of the B2C sector.

The synergies identified above reflect both beneficial elements and costs and could not be achieved independently as they are contingent on the Transaction. This statement of estimated cost savings relates to future actions and circumstances which by their nature involve risks, uncertainties, contingencies and other factors. As a result, the costs savings referred to may not be achieved, or those achieved may be materially different from those estimated.

Further diversification of Playtech's revenue mix and shift towards regulated markets

Snaitech's earnings are sourced wholly from Italy, a regulated and developed gambling market, and the Transaction will therefore have a positive impact on Playtech's revenues by increasing the proportion of revenues generated from regulated markets. 78 per cent of the pro-forma 2017 revenues of the Enlarged Group are sourced from regulated markets compared to the 54 per cent Playtech earned from regulated markets in the financial year ended 31 December 2017. The Transaction will also enable Playtech to further diversify into the B2C segment, which is expected to contribute approximately 52 per cent of the Enlarged Group's pro-forma 2017 revenues, as well as resulting in 75 per cent of the Enlarged Group's revenues originating in the UK and Europe.

Substantial overall financial returns

The Transaction is expected to deliver substantial overall financial returns including material EBITDA enhancement and double-digit EPS accretion in the first full year post consolidation, as well as ensuring a continued strong cash flow and shareholder returns profile for the Enlarged Group. Playtech's progressive dividend policy adopted in 2016 will remain unchanged.

The Snaitech business also contains significant tax losses which management expect may benefit the Enlarged Group's free cash flow by way of a reduced cash tax expense within the Snaitech group in future years.

5. Principal terms of the Sale and Purchase Agreement

Under the Sale and Purchase Agreement, Global Games and OI Games have agreed to sell all of their respective holdings in Snaitech (being in aggregate 70.561 per cent of the entire issued share capital of Snaitech) to Playtech Bidco. The total consideration payable to the Sellers on completion of the Sale and Purchase Agreement will be EUR 291 million, representing EUR 2.19 per share.

Completion of the Sale and Purchase Agreement is conditional on (i) the approval of the Transaction by Shareholders; (ii) receipt of the Antitrust Clearance, if and to the extent required under the applicable Laws and (iii) the consent of ADM to the change of control being obtained.

The Sale and Purchase Agreement will terminate if the above conditions are not met or waived by 9 August 2018, which date may be extended by 30 days at the request of Playtech Bidco or Global Games.

A more detailed summary of the Sale and Purchase Agreement is set out in paragraph 6.1 of Part V of this document.

On completion of the Sale and Purchase Agreement, a Mandatory Takeover Offer for the remaining Snaitech Shares (along with any options and any other instruments convertible into Snaitech Shares) will be triggered as is further described below.

6. Mandatory Takeover Offer and Delisting

Subject to certain exemptions, any person who (as a result of one or more purchases, or the enhancement of voting rights) becomes the owner of in excess of 30 per cent of the voting shares in an Italian listed company, must launch a Mandatory Takeover Offer (*offerta pubblica di acquisto*) for all of the remaining listed securities.

Following completion of the Sale and Purchase Agreement, Playtech Bidco will be required to make a Mandatory Takeover Offer for the remaining Snaitech Shares. Playtech Bidco expects to notify Consob and disclose to the public its obligation to launch a Mandatory Takeover Offer immediately following completion of the Initial Acquisition.

The Mandatory Takeover Offer must be made at a price per Snaitech Share not lower than the highest price paid by Playtech Bidco (or persons acting in concert with it) in the 12 months preceding the offer notice. Playtech Bidco therefore expects to make the offer at the consideration price under the Sale and Purchase Agreement of EUR 2.19 per share.

Should Playtech Bidco, as a result of the Mandatory Takeover Offer, hold an interest of at least 95 per cent of Snaitech's voting shares, Playtech Bidco will have a statutory right ("squeeze-out" right) to purchase all the remaining outstanding Snaitech Shares at EUR 2.19 per share provided that the intention to exercise such right was declared in the offer document and Playtech Bidco intends to so declare and, if relevant, exercise such a right. Following the Mandatory Takeover Offer, Playtech Bidco may not hold 95 per cent of Snaitech's voting shares and be able exercise the squeeze-out right. If this is the case, there will continue to be minority shareholders in Snaitech unless Playtech can acquire further voting shares in Snaitech to reach the 95 per cent threshold.

Should Playtech Bidco, as a result of the Mandatory Takeover Offer, hold an interest in excess of 90 per cent of the voting shares in Snaitech, Playtech Bidco has the obligation to acquire any remaining outstanding Snaitech Shares at EUR 2.19 per share from any minority shareholder of Snaitech who so requests ("sell-out" right).

Following the Mandatory Takeover Offer, if the Playtech Group holds over 90 per cent of the voting rights of Snaitech, Snaitech will be automatically delisted. Furthermore, if such delisting is not achieved as a consequence of Playtech Bidco not holding an interest over 90 per cent of the voting rights in Snaitech following the Mandatory Takeover Offer, Playtech Bidco will have the ability to effect a delisting by undertaking a merger of Snaitech into Playtech Bidco.

7. Funding of Transaction

Playtech will fund the Transaction by way of its own existing cash resources and the utilisation of an initial tranche of up to EUR 425 million of the Bridge Financing Debt Facility. It is intended that a further tranche of up to EUR 615 million of the Bridge Financing Debt Facility will be available to refinance the 2021 Snaitech Notes and the fees, costs and expenses incurred by Playtech, or any member of the group, in connection with such refinancing.

Further details of the Bridge Financing Debt Facility are set out in paragraph 6.2 of Part V of this document.

8. Current trading and prospects

Playtech

Playtech's non-Asian B2B gaming division for the first 51 days of the first quarter of the financial year ended 31 December 2018 ("Q1 2018") had average daily revenue up 3 per cent on the first quarter of the financial year ended 31 December 2017 ("Q1 2017") (up 4 per cent excluding acquisitions and at constant currency). With the inclusion of Asia, the average daily revenue in the B2B gaming division for the first 51 days of Q1

2018, was down 11 per cent on Q1 2017 (down 8 per cent excluding acquisitions and at constant currency) against strong comparatives in Asia in the first half of the financial year ended 31 December 2017. There has been no further change to market conditions in Malaysia since Playtech's announcement on 2 November 2017.

Playtech's B2C gaming division is performing in line with expectations with the Sun Bingo contract continuing to see revenue improvement. The TradeTech Group, Playtech's financial division, has also made a strong start to the year.

The Playtech management is confident of good growth in 2018 with an improved quality of earnings.

Snaitech

Snaitech has begun 2018 in line with expectations. In the first two months of 2018, Snaitech collected wagers from activities under concession of EUR 1,657.1 million. The following wagers were collected from different business segments:

- Retail sports betting of EUR 189.9 million;
- Gaming machines of EUR 1,166.1 million; and
- Online of EUR 301.3 million.

Wagers collected from retail sports betting and gaming machines were mainly influenced by the bookmaker friendly payout level of the last few months, together with the reduction of AWP's by 35 per cent, the effect of which was almost entirely offset by the growth in online wagers. The sports betting payout was 80.7 per cent in the first two months of 2018, up by 5.2 per cent compared to the same period in 2017.

9. Risk Factors

Shareholders should consider fully and carefully the risk factors associated with the Transaction and the operations of Snaitech and the industry in which Snaitech operates. Your attention is drawn to the "Risk Factors" set out in Part II of this document.

10. General Meeting

Completion of the Transaction is subject to, and conditional upon, *inter alia*, the approval of the Resolution by Shareholders at the General Meeting. Accordingly, set out at the end of this document there is a notice convening the General Meeting which is to be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man at 11.00 a.m. on 29 May 2018 at which the Resolution will be proposed.

11. Action to be taken

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting, please complete and submit the Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrars, Computershare Investor Services (Jersey) Limited, c/o, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 11.00 a.m. on 24 May 2018. Alternatively, you may register your proxy appointment and instructions electronically by logging on to www.investorcentre.co.uk/eproxy.

Shareholders who hold their Ordinary Shares through CREST and who wish to appoint a proxy or proxies for the General Meeting by using the CREST electronic proxy appointment service may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to that CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf.

The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

12. Further Information

Your attention is drawn to the further information set out in Part II to Part VII of this Circular and in particular the risk factors set out in Part II of this Circular.

Shareholders should read the whole of this Circular and not rely solely on information summarised in this letter, including the summarised financial information.

13. Recommendation

The Directors have received financial advice from UBS in relation to the Transaction. In providing such financial advice to the Directors, UBS has relied on the Directors' commercial assessment of the Transaction. The Directors consider the Transaction to be in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolution at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings, which in aggregate equal 63,524 Ordinary Shares, representing approximately 0.02 per cent. of the issued share capital of the Company as at 9 May 2018, being the latest practicable date prior to publication of this Circular.

Yours faithfully,

Alan Jackson

Chairman

PART II

RISK FACTORS

Prior to voting on the Resolution at the General Meeting, you should carefully consider, together with all other information contained in this Circular, the specific risks and uncertainties described below.

The Directors consider the following to be the material risk factors relating to the Transaction and the operations of Snaitech and the industry in which Snaitech operates. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Enlarged Group's operating results, financial condition and prospects if they materialise. The information given is as at the date of this Circular and, except as required by the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the rules of London Stock Exchange plc or by law, will not be updated.

If any or a combination of the following risks and uncertainties actually materialise, the Enlarged Group's business, financial condition and results of operations could be materially and adversely affected. In such case, the price of the Ordinary Shares could decline and Shareholders may lose some or all of their investment.

1. Risk Factors relating to the Transaction

The Transaction does not proceed

The Transaction is subject to the satisfaction of a number of conditions, including, amongst others, the approval of the Transaction by Shareholders at the General Meeting. Further details in relation to these conditions are set out in paragraph 6.1 of Part V of this Circular. There can be no assurance that these conditions will be satisfied. If these conditions are not satisfied, the Transaction will not take effect and the Playtech Group will not realise the anticipated benefits of the Transaction.

The Playtech Group's acquisition costs may be greater than anticipated

The Playtech Group expects to incur legal, accounting, financial adviser and transaction fees and other costs relating to the Transaction, some of which are payable whether or not Completion and the resulting Mandatory Takeover Offer takes place. Although the Directors believe that the transaction costs will be more than offset by the realisation of the benefits resulting from the Transaction, this net benefit may not be achieved in the short-term or at all, particularly if the Initial Acquisition or Transaction is delayed or does not complete. These factors could have a material adverse effect on the business, financial conditions, results of operations and prospects of the Playtech Group and, following Completion, the Enlarged Group.

The Enlarged Group may not realise, or it may take the Enlarged Group longer to realise, the expected benefits of the Transaction

The Enlarged Group may fail to achieve certain or all of the anticipated benefits that the Playtech Group expects to realise as a result of the Transaction, or it may take longer than expected to realise those benefits. If the anticipated benefits are not achieved, or take longer than expected to be realised, this could have a material adverse impact on the Enlarged Group's businesses, financial conditions and results of operations.

The Snaitech Group may not perform in line with expectations in the period prior to Completion

The anticipated benefits and synergies of the Transaction are based on assumptions regarding, amongst other things, the financial and operational performance of the Snaitech Group, including in the period prior to Completion.

The period prior to Completion may create uncertainty about the Snaitech Group's future. The Snaitech Group is subject to a number of risks that may harm its business, revenue and results of operations. The diversion of management and employee attention may detract from the Snaitech Group's ability to grow

revenues and it may be unable to respond effectively to competitive pressures, industry developments and future opportunities. These factors could have a material adverse effect on the business, financial conditions, results of operations and prospects of the Enlarged Group following Completion.

Prior to Completion, the Snaitech Group, and following Completion, the Enlarged Group, may fail to retain key staff

The calibre and performance of the Enlarged Group's management and other key employees, taken together, is important to the success of the Snaitech Group prior to Completion, and to the Enlarged Group following Completion and, while plans are, or will be put, in place for the retention of the Snaitech Group's senior management team following Completion, there can be no assurance that prior to Completion, the Snaitech Group will not lose key personnel (including members of the senior management team), or that the Transaction will not result in the departure of key personnel from the Enlarged Group. The Snaitech Group's current and prospective personnel may be uncertain about their future roles and relationships with the Snaitech Group following Completion and this uncertainty may adversely affect Snaitech's ability to attract and retain key personnel. The departure of a significant number of key staff could adversely affect the Company's ability to realise the benefits of the Transaction. Such departures could also adversely affect both the Enlarged Group's ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and the value of those businesses, which could have a material adverse effect on the operating results, business, financial condition and prospects of the Enlarged Group.

Playtech's expansion into the B2C market as a result of the Transaction could potentially impact business relationships with certain of Playtech's existing customers

Playtech currently operates primarily as a B2B software and services provider to some of the gambling industry's leading B2C operators. As a result of the Transaction, the Enlarged Group will also have an integrated B2B/B2C offering. Whilst consolidation in the industry is currently a prevalent trend including across the B2B and B2C verticals, the Transaction could potentially impact business relationships with certain existing customers of Playtech, and potential new customers if they perceive a conflict as a result of the Enlarged Group having an established standing in the Italian B2C market. The risk could have a material adverse effect on the operating results, business, financial condition and prospects of the Enlarged Group.

2. Risks relating to the Snaitech Group

The industries in which Snaitech operates are highly regulated, and if it fails to comply with applicable laws and regulations, or if it becomes subject to new, more stringent laws and regulations, it could adversely affect Snaitech and, following Completion, the Enlarged Group's financial results.

The gaming and betting industry in Italy is heavily regulated by ADM, the Italian gaming and betting authority, which determines (i) which games may be operated and, for certain activities, what amounts may be charged by operators, (ii) what level of winnings may be awarded, (iii) for certain activities, what level of compensation may be paid to concessionaires (iv) the number of POS and whether a given concession is exclusive or available to multiple concessionaires and (v) minimum levels of service. The applicable regulations also require, *inter alia*, that the directors, officers and employees of Snaitech and its shareholders and beneficial owners owning directly and indirectly more than two percent of the concessionaire (including its respective directors, officers and employees) satisfy certain good standing requirements (including anti-mafia requirements).

As noted in paragraph 2.3 of Part I, Snaitech currently holds the Concessions granted by ADM. Applying for new concessions, rights, permits and approvals and renewing or integrating existing ones can be costly and time consuming, and there is no assurance of success. Any failure to renew or obtain any such concession, right, permit or approval could have a material adverse effect on Snaitech's and, following Completion, the Enlarged Group's business, results of operations and financial condition. Snaitech can also from time to time experience delays in its application for new concessions or licences, or delays in obtaining regulatory approval or be the subject of legislative changes that may be required in order to modify certain attributes of a current product offered under an existing concession, such as the delay by ADM in approving new games for VLTs, and such delays could preclude Snaitech from taking advantage of attractive market opportunities or require it to temporarily cease operations. If it fails to maintain a constructive relationship

with ADM, or if its relationship was to be adversely affected for any reason, including any action or omission on its part or negative publicity concerning it or the gaming and betting industry in general, the business, results of operations, and financial condition of Snaitech and, following Completion, the Enlarged Group could be materially adversely affected.

The Italian Stability Law of 2016 also provides that in the period from 2017 to 2019, all the AWP on the market will be substituted with new generation machines which can be controlled remotely (AWP-R also called “VLT-light”). Snaitech’s compliance with this requirement in respect of its AWP concessions may incur material costs, that are more than currently estimated or quantified, given that, similar to VLTs, a fee for obtaining the relevant licences may be introduced.

As noted in paragraph 2.3 of Part I, the Italian Ministerial Decree dated 25 July 2017 provided for a reduction of at least 34.9 per cent of the total number of permits for AWP, compared to the number of active permits for AWP as at 31 December 2016. The increase in taxes, costs of substituting AWP with AWP-Rs and the legal reduction in the total number of AWP set out by the Italian Stability Law 2016 may have an adverse effect on Snaitech’s and, following Completion, the Enlarged Group’s, business and financial performance.

Compliance with this extensive regulatory framework requires significant investments in infrastructure and personnel. In addition, failure to comply with applicable laws, regulations and rules could result in investigations and enforcement actions, concessions or licences that Snaitech needs to do business not being renewed or being revoked, criminal sanctions, administrative fines or the separation, suspension or termination of its operations. Snaitech cannot guarantee that it will not be subject to lengthy and costly legal proceedings in the future.

For example, in January 2018, ADM identified that Snaitech had not reduced the total number of AWP required before the 31 December 2017 deadline. The delay was due to the owners and operators of the AWP not fully co-operating with Snaitech to do so. Although the Group has not yet received a financial penalty or any other sanction in connection with this issue, there is a risk that such penalties and sanctions may be imposed in respect of this breach and any future breaches of such requirement.

The legal and regulatory requirements to which Snaitech is already subject may change, and it may become subject to new legislation or regulatory requirements that could have a material effect on Snaitech’s and, following Completion, the Enlarged Group’s business, results of operations and financial condition.

Changes to taxation or the interpretation or application of tax laws could have an adverse effect on Snaitech and, following Completion, the Enlarged Group’s business, financial condition and results of operations.

Snaitech’s business operations are subject to a number of taxes and fees, including value-added-tax (VAT) and specific gaming-related taxes calculated as a percentage of the bet or the net bet (calculated as bet minus pay-out). The levels of taxation to which Snaitech’s operations are subject could increase in the future. For example, the Italian Stability Law of 2016 set the tax rate on physical sports betting at 18 per cent and at 22 per cent of net bet for online betting, starting from January 2016, and reduced the AWP pay-out from 74 per cent to 70 per cent. In addition, the Law Decree No. 50/2017 further increased the taxation on VLTs from 5.5 per cent to 6.0 per cent, as well as the taxation on AWP from 17.5 per cent to 19 per cent starting from 24 April 2017. Changes in tax law or other laws supersede the terms of Snaitech’s concessions and it is not entitled to additional compensation to offset such changes during the life of a concession. Any such future increases in the levels of taxation, or the implementation of any new taxes to which Snaitech’s operations will be subject, could have a material adverse effect on Snaitech’s and, following Completion, the Enlarged Group’s business, financial condition and results of operations. Snaitech is also subject to intercompany pricing laws, including those relating to the flow of funds among members of the Snaitech Group pursuant to, for example, loan agreements, purchase agreements, licensing agreements or other arrangements. In addition, Italian tax laws are particularly complex and often require taxpayers to make subjective determinations in relation to their application. Adverse developments in tax laws or regulations (including future Italian legislation, judicial or administrative changes or interpretations with respect to tax laws to which Snaitech’s business is subject) could have a material adverse effect on Snaitech’s and, following Completion, the Enlarged Group’s business, financial condition and results of operations.

From time to time, Snaitech is subject to tax audits and investigations by the tax authorities. Such audits and investigations may be aimed at evaluating the correct interpretation and application (including with respect to general or specific anti-avoidance rules or of the interpretative judicial concept of “abuse of law” or “*abuso del diritto*”) of direct tax and indirect tax laws to Snaitech’s present and past transactions, concerning its business in general and including its existing, as well as previously incurred, indebtedness and existing and future intercompany loans. Therefore there can be no assurances that a challenge will not arise in relation to Snaitech’s compliance with tax laws and regulations relating to the tax treatment of Snaitech’s transactions and other business arrangements if Snaitech were subject to a tax audit by the relevant tax authorities. Snaitech may also fail to comply with tax laws inadvertently or through reasons beyond Snaitech’s control.

A significant portion of Snaitech’s revenues are derived from time-limited concessions required to operate its businesses.

For the year ended 31 December 2017, Snaitech generated approximately 97.9 per cent of its total revenues from the Concessions. As noted in paragraph 2.3 of Part I, under applicable Italian law, a concession is required in order to offer gaming products, and these concessions are of limited duration. These concessions are awarded by the Italian gaming authority, ADM, by public tender, through which the concessionaires are selected. The concessionaires and ADM enter into concession agreements, the terms of which are set by ADM and cannot be negotiated. The Concessions held by Snaitech for the operation of a network of gaming machines (AWPs and VLTs), which represented 70 per cent of its total revenues for the twelve months ended 31 December 2017, expire in March 2022.

Upon the expiration of the concessions, new concessions may be awarded to one or more parties through an open competitive public tender process. The Italian betting and gaming market is fragmented with diverse competition meaning these bid processes are often contested. Renewing concessions can be costly and time consuming, and Snaitech cannot guarantee that Snaitech will be successful. While Snaitech has historically been able to renew its concessions, its concessions may not be renewed upon expiration on favourable terms or at all. Any failure to renew or obtain any such concession could have a material adverse effect on Snaitech’s and, following Completion, the Enlarged Group’s business, results of operations and financial condition.

New concessions may also be awarded on a trial basis, meaning that Snaitech could face penalties, or that ADM could revoke a concession within the first few years of its term, if certain conditions are not satisfied. The concessions are also subject to revocation upon the occurrence of certain events, which are different for each concession. Under certain circumstances, a concession could be revoked upon a change of control or if they are determined to be against the public interest. Concessions may also be revoked by ADM upon occurrence of certain events, which relate to failures by the concessionaire to comply with certain obligations. In addition, failure by its directors, officers and employees and its shareholders and beneficial owners owning directly and indirectly more than 2 per cent of its shareholding (including its respective directors, officers and employees) to meet certain good standing requirements (including anti-mafia requirements) could result in concessions or licences being revoked or not being renewed, or could prevent it from being able to bid for new concessions or licences and could have a negative effect on its reputation and a material adverse effect on Snaitech’s and, following Completion, the Enlarged Group’s business, results of operations and financial condition.

In addition and as noted in paragraph 2.3 of Part I, Concessions contain specific financial covenants and capital requirements that must be complied with in order to remain in good-standing with ADM, including a requirement on the concessionaire to maintain a debt/equity ratio below the threshold set out by the MEF (which shall not be higher than 4.0x) (*rapporto di indebitamento*), as measured using the concessionaire’s year-end financial reports. Failure to maintain a debt/equity ratio below the threshold over the course of any three-year period can result in penalties imposed by ADM.

For example, during 2015, ADM sent a number of notices to Snaitech with regards to the non-compliance with respect to the required debt/equity ratio as set out above for financial year ended 31 December 2011. In October 2015, Snaitech responded that the integration of Cogemat would restore the required debt/equity ratio for the financial year ended 31 December 2015. In April 2016, ADM responded that no further action would be taken.

Any penalties imposed on Snaitech for a failure to satisfy the debt/equity ratio requirement or any other financial covenant in its concessions, including the revocation, or inability to renew, its concessions, would have a material adverse effect on Snaitech's and, following Completion, the Enlarged Group's business and results of operations.

Even after a concession is awarded, competitors may seek to challenge the validity of the concession by raising claims regarding the eligibility of the concession holder to participate in the relevant public tender or the procedural grounds by which ADM adjudicated such public tender. In this case, Snaitech may be required to spend additional capital and management time defending such concessions even if the challenges are without merit. Challenges to tender procedures or the award to it of any concession or other approval could result in the denial, termination or revocation of such concession or approval, which could have a material adverse effect on Snaitech's and, following Completion, the Enlarged Group's business, results of operations and financial condition.

TULPS Licences are personal in nature; can include a limit on their duration; and if there is a change in the identity of the concessionaire or third party operator that holds such TULPS Licences the relevant TULPS Licence needs to be re-applied for and there can be no certainty that the relevant TULPS Licences will be granted or renewed on the same terms.

Each POS at which betting activities are carried out and each ADI at any premises requires a TULPS Licence. The relevant TULPS Licence may be issued directly to the concessionaire or to a third party operator appointed by the concessionaire. In some cases, regional and local regulations impose limits to the duration of the TULPS Licences. In the event of any change of the identity of the concessionaire within the Snaitech Group, including as a result of any merger of Snaitech into Playtech Bidco as described in paragraph 6 of Part I of this document, the TULPS Licence holder would be required to apply for a new TULPS Licence. The failure of the TULPS Licence holders to renew and/or to obtain new TULPS Licences could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

The change of the identity of third party operators holding TULPS Licences would also trigger a need to re-apply for a new TULPS Licence. There can be no certainty that such third party operator would obtain a new TULPS Licence and be able to continue providing betting activities and/or ADIs at the relevant POS. In the event that a significant number of third party operators were to change identity in any given period, any inability to renew the TULPS Licences and continuing betting activities and/or providing ADIs at such POS may impact on gaming revenues which could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

Snaitech may be subject to an unfavourable outcome with respect to pending litigation, which could result in substantial monetary damages or losses or otherwise resulting in a material adverse effect on Snaitech and, following Completion, the Enlarged Group.

Snaitech operates in a market with a high level of litigation and regulatory and judicial scrutiny. As of the date of this Circular, Snaitech is party to numerous administrative and civil proceedings, including a number of proceedings against it brought by ADM and is currently, and from time to time, subject to investigation by regulatory and tax authorities. A negative outcome in one or more of these proceedings or investigations could require it to pay substantial monetary damages or penalties or could have a significant impact on its ability to operate its business or negatively impact its reputation or its relationships with its regulators.

Although Snaitech has made accounting provisions with respect to pending proceedings, the provisions set aside may not be sufficient to cover losses arising from outcomes in any existing proceedings that are not in its favour. If future losses arising from the pending proceedings are materially in excess of the provisions made, there may be a material adverse effect on Snaitech's and, following Completion, the Enlarged Group's business, results of operations and financial condition.

In addition, proceedings against regulatory authorities challenging public tender processes in respect of the award of concessions or the award of any contract, licence, concession, permit or approval to it could result in the denial, termination or revocation of such contract, licence, concession, permit or approval, which

could have a material adverse effect on Snaitech's and, following Completion, the Enlarged Group's business, results of operations, and financial condition or prospects.

Snaitech depends on partners and retailers, as well as a number of third party suppliers, for the operation of its business, and problems with such partners, retailers or suppliers could adversely affect them.

Snaitech relies on its partners and retailers to operate the majority of the POS in its distribution network, and at certain partner-owned betting shops, betting corners and POS, the partner or retailer, as applicable, operates under the Snaitech brand. Snaitech also relies on a number of third party suppliers who provide it with products and services, including with software utilised for running the gaming machines deployed by the Snaitech Group. Snaitech does not control these partners, retailers and third party suppliers, and relies on them to perform their services in accordance with the terms of their contracts, which increases Snaitech's vulnerability to problems with the products and services these partners, retailers or third party suppliers provide. Snaitech may not be successful in recovering any losses which result from the failure of the partner, retailer or third party supplier to comply with their contractual obligations to it, and where a partner or retailer is operating under Snaitech's brand, such failure may also negatively impact its reputation and consumer loyalty. Partners, retailers and third party suppliers may also seek to recover losses from Snaitech under indemnities or in respect of breaches of obligations or warranties under their agreements with Snaitech. In addition, Snaitech's partners and retailers may suffer from weakening economic conditions which may adversely impact the creditworthiness of Snaitech's POS. Snaitech's partners and retailers could also choose to terminate the contractual relationship with it and/or join Snaitech's competitors. Such events could have a material adverse effect on Snaitech's and, following Completion, the Enlarged Group's reputation, business, results of operations and financial condition.

Snaitech's information technology system and network are subject to damage and interruption caused by human error, problems relating to the telecommunications network, natural disasters, sabotage, viruses and similar events.

The betting and games offered at Snaitech's POS depend to a great extent on the reliability and security of its IT system, software and network, which are subject to damage and interruption caused by human error, problems relating to the telecommunications network, software failure, natural disasters, sabotage, viruses and similar events. Any interruption in Snaitech's systems could have a negative effect on the quality of services offered and, as a result, on consumer demand and therefore volume of sales. A system interruption may entitle ADM to revoke a concession or require Snaitech to pay damages or compensation under the concession.

As Snaitech also offers online access to games and betting, such services may be subject to attack by hackers or experience other network interruptions that interfere with provision of service and thereby subject Snaitech to liability for losses by players or to fines from the applicable governmental authorities for failure to provide the required level of service under their concessions. Finally, a technical error in its gaming systems could lead to significant litigation, lost revenues and/or administrative sanctions.

Snaitech may incur liability and costs in connection with asbestos-containing materials present at certain of our facilities.

Asbestos-containing materials ("ACM") were formerly commonly used as building materials such as insulation or tiling in industrial buildings. The use of ACM was standard practice throughout the world until the late 1970s when it began to be phased out. Given the varying ages of its facilities, Snaitech has identified ACM as being present at certain of its facilities which could subject the Snaitech Group to certain risks and costs. As a result, Snaitech could incur substantial ongoing capital and operating expenditures in connection with compliance with current and future health and safety regulation requirements. Moreover, any violations of these requirements may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, clean-up costs and claims for personal injury or property damages that certain of its employees or third parties may allege to have suffered. Should Snaitech face any such claims or should Snaitech be responsible for substantial fines or penalties or other civil or criminal sanctions, this may have a material adverse effect on Snaitech's and, following Completion, the Enlarged Group's business, results of operations, and financial condition.

Snaitech's business may be affected by political uncertainty in Italy.

On 4 March 2018, a general election was held in Italy where no political group or party won an outright majority resulting in a hung parliament. There are now competing demands from the centre-right coalition and Five Star Movement to receive an invitation from the President to be given the opportunity to form a government. The nature and identity of any government is therefore uncertain and subject to continuing instability. Snaitech only has operations in Italy and therefore Snaitech may be more affected by the current political uncertainty in Italy than some of its competitors with international operations. Political uncertainty and instability, including the possibility of a new government being elected that takes positions or actions adverse to the gaming industry or the Italian economy as a whole, could have material adverse effects on Snaitech's and, following Completion, the Enlarged Group's business, results of operation and financial condition.

PART III

HISTORICAL FINANCIAL INFORMATION ON SNAITECH

The following financial information table for Snaitech for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 is set out below. The information has been sourced as follows:

- The financial information for the year ended 31 December 2017 has been sourced from the audited financial statements of Snaitech for the year ended 31 December 2017.
- The financial information for the year ended 31 December 2016 has been sourced where possible from the comparative figures in the audited financial statements of Snaitech for the year ended 31 December 2017 and otherwise from the notes to the audited financial statements of Snaitech for the year ended 31 December 2016.
- The financial information for the year ended 31 December 2015 has been sourced where possible from the comparative figures in the audited financial statements of Snaitech for the year ended 31 December 2016, and otherwise from the notes to the audited financial statements of Snaitech for the year ended 31 December 2015.

Consistency of accounting policies

The Directors confirm that no material adjustment needs to be made to this financial information in order to achieve consistency with the accounting policies of the Playtech Group.

Consolidated statements of comprehensive income

	Note	For the year ended 31 December		
		2015 €'000	2016 €'000	2017 €'000
Revenue from sales and services	5	599,263	889,064	884,213
Other revenue and income	6	32,546	9,433	5,395
Change in inventory of finished and semi-finished products		(16)	1	–
Raw materials and consumables	7	(518)	(683)	(761)
Costs for services and use of third party assets	8	(443,696)	(666,390)	(654,911)
Costs of personnel	9	(45,110)	(59,311)	(51,311)
Other operating costs	10	(52,802)	(54,779)	(50,719)
Capitalised internal construction costs	11	1,392	1,825	765
Earnings before interest, tax, depreciation and amortisation		91,059	119,160	132,671
Amortisation, depreciation and write-downs	12	(70,249)	(57,400)	(50,533)
Other provisions	29	(11,271)	(11,036)	(44)
Earnings before interest and taxes		9,539	50,724	82,094
Gains and expenses from shareholdings		135	4	(586)
Financial income		1,192	686	784
Financial expenses		(56,725)	(87,057)	(40,716)
Total financial income and expenses	13	(55,398)	(86,367)	(40,518)
(Loss)/profit before taxes		(45,859)	(35,643)	41,576
Income tax	14	(8,372)	18,689	(14,566)
(Loss)/profit for the year		(54,231)	(16,954)	27,010
(Loss)/gain from re-measuring of employee defined benefit plans after taxes		(129)	(178)	69
Total other comprehensive income which will not be restated under (loss)/profit for the year after taxes		(129)	(178)	69
Adjustment to cash flow hedge		2,124	–	–
(Loss)/profit from available-for-sale investment		(100)	17	–
Total other comprehensive income which will be restated under (loss)/profit for the year after taxes		2,024	17	–
Total profit/(loss) in comprehensive income statement, after taxes	25	1,895	(161)	69
Total (loss)/profit for the year		(52,336)	(17,115)	27,079

	<i>Note</i>	<i>For the year ended 31 December</i>		
		<i>2015</i>	<i>2016</i>	<i>2017</i>
		<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Attributable to:				
(Loss)/profit for the year pertaining to the Snaitech Group		(54,231)	(16,954)	27,010
(Loss)/profit for the year pertaining to third parties		—	—	—
Total (loss)/profit for the year pertaining to the Snaitech Group		(52,336)	(17,115)	27,079
Total (loss)/profit for the year pertaining to third parties		—	—	—
Earnings per share				
Basic (loss)/earnings per share (Euro)	26	(0.44)	(0.09)	0.14
Diluted (loss)/earnings per share (Euro)	26	(0.44)	(0.09)	0.14

Note: included within the above amounts are related party transactions (see Note 34) and non-recurring items (see Note 36)

Consolidated statements of financial position

		<i>As at 31 December</i>		
	<i>Note</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
		<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Assets				
Non-current assets				
Property, plant and equipment – owned		145,039	135,273	132,086
Property, plant and equipment – finance lease		2,936	420	281
Total property, plant and equipment	15	147,975	135,693	132,367
Goodwill		306,472	306,472	310,027
Other intangible assets		165,225	140,920	116,592
Total intangible assets	16	471,697	447,392	426,619
Investments accounted for under the equity method		2,490	2,515	1,477
Other investments		50	46	443
Total investments	17	2,540	2,561	1,920
Deferred tax assets	18	29,325	51,288	39,251
Non-current trade receivables	20	2,164	2,314	8,622
Other non-financial assets	21	1,140	1,216	1,473
Non-current financial assets	22	1,773	2,009	3,386
Total non-current assets		656,614	642,473	613,638
Current assets				
Inventory	19	641	199	205
Trade receivables	20	105,019	114,548	113,297
Other assets	21	55,255	53,326	52,965
Current financial assets	22	21,432	16,858	16,970
Cash and cash equivalents	23	107,588	82,337	137,591
Total current assets		289,935	267,268	321,028
Total assets		946,549	909,741	934,666
Liabilities and shareholders' equity				
Shareholders' equity pertaining to the Snaitech Group				
Share capital		97,982	97,982	97,982
Reserves		91,874	37,482	20,597
(Loss)/profit for the year		(54,231)	(16,954)	27,010
Total shareholders' equity pertaining to the Snaitech Group		135,625	118,510	145,589
Shareholders' equity attributable to non-controlling interests		—	—	—
Total shareholders' equity	24	135,625	118,510	145,589

		<i>As at 31 December</i>		
	<i>Note</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
		<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Non-current liabilities				
Post-employment benefits	27	8,641	8,089	6,762
Non-current financial liabilities	28	573,101	557,414	560,244
Provisions for risks and charges	29	27,099	30,171	13,711
Other non-current liabilities	30	6,264	4,291	4,023
Total non-current liabilities		<u>615,105</u>	<u>599,965</u>	<u>584,740</u>
Current liabilities				
Trade payables	31	42,215	34,276	39,155
Other liabilities	30	150,040	151,156	159,036
Current financial liabilities		3,564	5,834	5,667
Current portion of long-term loans		–	–	479
Total current financial liabilities	28	<u>3,564</u>	<u>5,834</u>	<u>6,146</u>
Total current liabilities		<u>195,819</u>	<u>191,266</u>	<u>204,337</u>
Total liabilities and shareholders' equity		<u>946,548</u>	<u>909,741</u>	<u>934,666</u>

Note: included within the above balances are related party balances (see Note 34)

Consolidated statements of changes in equity

					Reserve for remeasure- ment of employee termination					Share- holders' equity attributable to equity holders of the Parent Company	Share- holders' equity attributable to non- controlling interests	Total share- holders' equity
Note	Share capital €'000	Legal reserve €'000	Share premium reserve €'000	Cash flow hedge reserve €'000	indemnities (IAS 19) €'000	Treasury share reserve €'000	Profit/(loss) carried forward €'000	Profit/(loss) for the year €'000				
Balance at 1 January 2015	60,749	1,559	13,946	(2,124)	(720)	—	773	(26,082)	48,101	—	—	48,101
Capital increase	37,233	—	102,627	—	—	—	—	—	139,860	—	—	139,860
Loss for the prior year	—	(1,559)	(13,946)	—	—	—	(10,577)	26,082	—	—	—	—
Loss for the year	—	—	—	—	—	—	—	(54,231)	(54,231)	—	—	(54,231)
Other comprehensive income/(loss)	—	—	—	2,124	(129)	(111)	11	—	1,895	—	—	1,895
Total comprehensive income/(loss)	—	—	—	2,124	(129)	(111)	11	(54,231)	(52,336)	—	—	(52,336)
Balance at 31 December 2015	97,982	—	102,627	—	(849)	(111)	(9,793)	(54,231)	135,625	—	—	135,625
Loss for the prior year	—	—	(45,677)	—	—	—	(8,554)	54,231	—	—	—	—
Loss for the year	—	—	—	—	—	—	—	(16,954)	(16,954)	—	—	(16,954)
Other comprehensive income/(loss)	25	—	—	—	(178)	—	17	—	(161)	—	—	(161)
Total comprehensive (loss)/income	—	—	—	—	(178)	—	17	(16,954)	(17,115)	—	—	(17,115)
Balance at 31 December 2016	97,982	—	56,950	—	(1,027)	(111)	(18,330)	(16,954)	118,510	—	—	118,510
Loss for the prior year	24	—	—	—	—	—	(16,954)	16,954	—	—	—	—
Profit for the year	—	—	—	—	—	—	—	27,010	27,010	—	—	27,010
Other comprehensive income	25	—	—	—	69	—	—	—	69	—	—	69
Total comprehensive income	—	—	—	—	69	—	—	27,010	27,079	—	—	27,079
Balance at 31 December 2017	97,982	—	56,950	—	(958)	(111)	(35,284)	27,010	145,589	—	—	145,589

Consolidated statements of cash flows

		For the year ended 31 December		
	Note	2015	2016	2017
		€'000	€'000	€'000
Cash flows from operating activities				
(Loss)/profit for the year attributable to equity holders of the Parent Company		(54,231)	(16,954)	27,010
Financial expenses	13	56,725	87,057	40,716
Amortisation and depreciation	12	70,249	57,400	50,533
Net change in deferred tax assets and liabilities	18	5,945	(21,896)	12,015
Change in provision for risks	29	10,509	3,054	(16,460)
Losses/(gains) on disposal of non-current assets (including shareholdings)		538	560	(680)
Share of (losses)/profits of associates measured using the equity method	13	(135)	(4)	641
Net change in employee termination indemnities	27	915	(797)	(1,236)
Net change in non-current assets and liabilities	20-21-30	(4,822)	(2,199)	(6,453)
Net change in current trade assets and liabilities and other changes	19-20-21-30-31	5,137	(12,005)	16,357
Cash and cash equivalents generated by operations		90,830	94,216	122,443
Taxes paid		(5,417)	(1,946)	(2,831)
Interest paid		(51,670)	(51,275)	(35,658)
Cash flows from operating activities		33,743	40,995	83,954
Cash flows from investing activities				
Investments in property, plant and equipment	15	(10,295)	(11,400)	(15,856)
Investments in intangible assets	16	(5,043)	(10,452)	(5,848)
Acquisition of business units	4	(1,300)	—	(4,228)
Acquisition of shareholdings in subsidiaries, net of acquired cash and cash equivalents	4	37,887	—	—
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		631	450	637
Cash flows from/(used in) investing activities		21,880	(21,402)	(25,295)

	Note	For the year ended 31 December		
		2015	2016	2017
		€'000	€'000	€'000
Cash flows from financing activities				
Change in financial receivables and other financial assets	22	9,328	4,355	(1,489)
Change in financial liabilities	28	(3,987)	(16,314)	(3,091)
Repayment of loan/bond	28	(20,000)	(590,000)	–
Repayment of Cogemat loans		(54,740)	–	–
Repayment of Cogemat bond loans		(53,925)	–	–
Discharge of Cogemat hedging derivative		(473)	–	–
Issue of bond loans	28	107,273	557,115	–
Proceeds from bank loans	28	–	–	1,450
Repayment of bank loans	28	–	–	(275)
Capital increase accessory charges		(140)	–	–
Cash flow (used in)/from financing activities		<u>(16,664)</u>	<u>(44,844)</u>	<u>(3,405)</u>
Change in cash and cash equivalents		38,959	(25,251)	55,254
Cash and cash equivalents at beginning of the year		<u>68,629</u>	<u>107,588</u>	<u>82,337</u>
Cash and cash equivalents at the end of the year	23	<u>107,588</u>	<u>82,337</u>	<u>137,591</u>
Reconciliation of final net financial liquidity:				
<i>Cash and cash equivalents at the beginning of the year are stated after deducting short-term financial payables, analysed as follows:</i>				
Cash and cash equivalents		68,629	107,588	137,591
Bank overdrafts		–	–	–
Discontinued operations		–	–	–
		<u>68,629</u>	<u>107,588</u>	<u>137,591</u>
<i>Cash and cash equivalents at the end of the year are stated after deducting short-term financial payables, analysed as follows:</i>				
Cash and cash equivalents		107,588	82,337	137,591
Bank overdrafts		–	–	–
Discontinued operations		–	–	–
		<u>107,588</u>	<u>82,337</u>	<u>137,591</u>

Note: included within the above amounts are related party transactions (see Note 34)

Notes to the financial information

1. RELEVANT ACCOUNTING STANDARDS

SCOPE OF CONSOLIDATION

Snaitech S.p.A. (hereinafter also referred to as the “**Parent Company**” or “**Snaitech**”) has its registered office at Piazza della Repubblica 32, Milan, Italy. Schedule 1 sets forth the composition of the Snaitech Group.

The consolidated financial information of the Snaitech Group as at 31 December 2015, 31 December 2016 and 31 December 2017 comprise the financial information of Snaitech and the following subsidiaries, which are consolidated on a line-by-line basis:

- Società Trenno S.r.l.
- Teleippica S.r.l.
- SNAI Rete Italia S.r.l.
- IziLove Foundation

The basis of consolidation changed in the year ended 31 December 2017 with respect to the year ended 31 December 2016, in so far as:

- The shareholders’ meeting of Hippogroup Roma Capannelle S.p.A. held on 10 July 2017 resolved the following: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l.; and a subsequent change of the corporate name to “Hippogroup Roma Capannele S.r.l.”. Following the bond conversion, Snaitech owned a shareholding of 15.20% (equal to €262,000) of the share capital of Hippogroup Roma Capannele S.r.l. As a consequence of the reduction of its shareholding down to 15.20% from 27.78%, Snaitech no longer had a relevant shareholder position and therefore it applied, according to accounting standards, the fair value method rather the equity method. Thereafter, the undertaking Lexorfin S.r.l. was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech had a shareholding of €275,000, equal to 15.46%. The participation was moved from within affiliates to other financial investments.
- On 31 July 2017, Snaitech sold its investment in its associated undertaking Solar s.a., previously measured using the equity method.
- On 20 November 2017, the Snaitech Group executed the deed of merger by incorporation of Società Trenno S.r.l. into Snaitech, following the resolutions taken by the relevant shareholders’ meeting on 7 February 2017. The deed of merger was executed with legal effect starting from 1 December 2017 and with accounting and fiscal effects backdated to 1 January 2017. Snaitech did not amend either its own share capital due to the merger nor its corporate bylaws. The merger did not impact on the consolidated financial statements of Snaitech since the absorbed company was already fully consolidated.
- On 1 December 2017, Snaitech Technologies S.r.l., was incorporated in Milan with registered office in Piazza della Repubblica no. 32. Snaitech wholly owns the undertaking with a share capital of €10,000. The first fiscal year of the company will end on 31 December 2018.

The basis of consolidation changed in the year ended 31 December 2016 with respect to the year ended 31 December 2015, in so far as:

- On 18 October 2016, the merger deed was signed envisaging the incorporation into Snaitech of the directly or indirectly controlled companies Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A., in accordance with the merger resolutions adopted by the competent bodies of each of the aforementioned companies on 9 June 2016. The merger deed was effective on 1 November 2016, with retroactive accounting and fiscal effects as of 1 January 2016. The merger did not give rise to any share capital increase by Snaitech, nor amendments to its articles of association. The merger had no effect on the consolidated financial statements of Snaitech as the merged companies were already fully consolidated;

- On 24 October 2016, the merger deed was signed to incorporate the subsidiary Finscom S.r.l. into the subsidiary SNAI Rete Italia S.r.l. the merger deed was effective on 1 November 2016, with retroactive accounting and fiscal effects as of 1 January 2016. The merger had no effect on the consolidated financial statements of Snaitech as the merged company was already fully consolidated.

The financial information of the undertakings included in consolidation are duly reclassified and adjusted in accordance with IFRS as adopted by the Parent Company and the related administrative bodies have approved them.

The financial information of the companies included in the consolidation scope for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, coinciding with the Parent Company's year-end. The same were approved by the respective management bodies and are drawn up according to the international accounting standards.

1.1 ***DIRECTORS' ASSESSMENTS ON GOING CONCERN REQUIREMENTS***

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

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

In relation to the integration with the Cogemat Group, Snaitech's directors notice the benefits rising from such transaction: (i) share capital increase by €37.2 million and more generally an increase of the equity level by €140 million; (ii) improvement of financial ratios; (iii) consolidation of the leadership in the Retail Sports Betting and Gaming Machines market segments; (iv) rationalisation of the corporate structure and the improvement of operational effectiveness; (v) synergies plan on operating, corporate and concession expenses, which produced a positive impact of approximately €18 million at 31 December 2017.

As per the uncertainties reported in previous years and related to the ability of the Snaitech Group to repay financial debts at maturity, or to refinance current debts, Snaitech's directors already highlighted, in the Annual Report for 2016, the benefits of the refinancing transaction executed on 7 November 2016, through the issuance of €570 million bonds, with a fixed rate tranche of €320 million (6.375% coupon, maturity 2021) and a floating rate tranche of €250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021): (i) significantly reduction of the financial costs born by Snaitech, with an annual savings (for 2017) of approximately €17 million and (ii) reprofiling the debt maturity from 2018 to November 2021. As per the risks associated with the renewal of Betting concessions expired on 30 June 2016, the uncertainty for the Snaitech Group may arise from: (i) non-renewal of licenses with negative impact on lower cash inflows and margins as well as the inability to deal with financial indebtedness (ii) high amount required in the bidding process affecting the sustainability of Snaitech Group indebtedness. However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders.

Furthermore, with reference to the betting tender, it is important to highlight that, according to the public data available from the market, the number of rights to be allotted with the tender is higher than the point of sales currently operating across the entire country: the distribution network, as per the latest ADM revelation on December 2017, has 4,197 corners and 5,533 shops (including 2,450 CTD "grey" operators now fully licensed) against respectively 5,000 and 10,000 rights available with the tender. In addition to the point of sales licensed by ADM, it must also be taken into account those agencies acting as data centre for transmission only (CTD), which collect bets on behalf of foreign bookmakers without any licence. These operators account for approximately 4,800 units, with more

than 2,500 now fully authorised by ADM as of 31 December 2017. Even in the possible scenario where all the CTD are authorised and join the tender, the number of rights offered is likely to be higher than the potential demand. Even in such unlikely scenario, given the current level of requests to regularise, the possible amount to pay for the renewal should not negatively affect the sustainability of Group indebtedness.

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

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

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

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

1.2 **ACCOUNTING STANDARDS**

a. *General principles*

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

The international accounting standards have also been applied consistently for all of the Snaitech Group companies.

The term IFRS refers to the revised 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.

New and revised standards and interpretations effective after 1 January 2017

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

- In January 2016, IASB published amendments to IAS 12 "Income taxes". Such changes clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value.
- In January 2016, IASB published amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.

- In December 2016, IASB published amendments to IFRS Standards 2014–2016. The change relates to IFRS 12 “Disclosure of Interests in Other Entities” (effective from 1 January 2017). It clarifies that the disclosure requirements, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale, other than those in paragraphs B12.

New standards and interpretations transposed by the EU

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

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

Furthermore, IFRS 15 supplements the information provided in the financial statements with reference to the nature, amount, timing and uncertainties of the revenue and related cash flows. The Snaitech Group, after deep analysis, ascertained no significant impacts on results, net equity and key performance indicators as of 1 January 2018, arising from the implementation of the new standard.

- On 24 July 2014, IASB finalised the revision of this accounting standard regarding financial instruments and issued the complete version of IFRS 9 “Financial instruments”. More specifically, the new IFRS 9: (i) changes classification and measurement of financial assets; (ii) introduce a new method for financial assets impairment, which takes into account the expected credit losses; (iii) change guidance on hedge accounting.

The IFRS 9 shall be effective for accounting periods commencing on or after 1 January 2018. Early application is allowed.

The Snaitech Group, after deep analysis, ascertained no significant impacts on results, net equity and key performance indicators as of 1 January 2018, arising from the implementation of the new standard.

- In September 2016, IASB published amendments to IFRS 4 “Insurance contracts” in relation to the implementation of IFRS 9 “Financial Instruments”.

The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the “overlay approach”); an optional temporary exemption (until 2021) from applying IFRS 9 for entities whose predominant activity is issuing contracts within

the scope of IFRS 4 (the “deferral approach”). In this case IAS 39 shall apply. Such amendments are effective from 1 January, 2018.

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

New standards and interpretations yet to be transposed by the EU

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

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

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

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

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

The format of the financial information adopted by the Snaitech Group for the year ended 31 December 2017 did not change with respect to those adopted at 31 December 2016 with the exception of the item “non-current trade receivables”, which was reclassified at 31 December 2016 from previously being within non-current “other non-financial assets” to an amount of €2,314,000 included as “non-current trade receivables” on the face of the Consolidated

Statement of Financial Position and comprising receivables from clients of €1,400,000 and bills receivables of €914,000.

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

Reporting format of the financial information

The format adopted by the Snaitech Group is the following:

Consolidated statement of financial position

The consolidated statement of financial position presents separately 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 statement of comprehensive income

The consolidated statement of comprehensive income classifies cost and revenues by nature, as it considered more representative of the Snaitech Group's activities.

Consolidated 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 IAS8. In addition, it shows the balance of retained earnings and losses at the beginning of the period, the movements during the period and the balances at the end of the period.

Consolidated cash flow statement

The consolidated cash flow statement shows the cash flows deriving from operating, investing and financing activities of the period. The cash flows from operating activities of the period 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. *Basis of preparation*

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

Uncertainty of estimates

In applying the Snaitech 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 of the closing date of the financial information, which could give rise to adjustments in the carrying amounts of assets and liabilities. In particular, goodwill should be checked at least once a year for possible value impairments, which requires estimating the value in use of the cash generating units to which the goodwill is attributed, which in turn is based on the estimation of the expected cash flows from the units and their discounting based on an appropriate discount rate. The assumptions formulated for the purposes of determining the value in use of the individual cash generating units, in support of such asset values, involve a certain amount of uncertainty related to all the predictions.

Therefore, in the future, they may give rise to corrections in accounting values due to the actual realisation of assumptions based upon the estimates and, more specifically, the Snaitech Group's capacity to achieve its 2018-2020 objectives set out in the Business Plan.

Use of estimates

To draw up the financial information in accordance with IFRS, the Snaitech Group'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 information. The estimates and the related assumptions are based upon the previous experiences and other factors considered reasonable in the circumstances, and have been adopted in order to estimate the accounting value of assets and liabilities which is not easily inferable from other sources.

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

We shall now present some of the key hypotheses regarding the future and other important sources of uncertainty in the estimates as at the closing date of the financial information 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 Snaitech Group verifies, on each reporting date, whether there are indicators for reductions in value for all non-financial assets. The goodwill and the other intangible assets having an indefinite useful life are verified on an annual basis in order to identify possible write-downs and over the course of the year only if such impairment indicators exist. The other non-financial assets are tested annually for impairment if there are indications that the carrying amount might not be recovered.

When the value in use has been calculated in advance, the directors must estimate the expected cash flows from the activity or cash-generating units and select an appropriate discount rate in order to calculate the current value of such cash flows. Further details and a sensitivity analysis for the key hypotheses are indicated below.

Deferred tax assets

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

Pension plans and other post-employment benefits

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

Provision for doubtful accounts

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

Provisions for risks and charges and potential liabilities

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

Amortisation and depreciation

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

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

Income tax

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

c. *Valuation and consolidation criteria*

Subsidiaries

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

Control is obtained when the Snaitech 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 Snaitech Group controls an investee if, and only if the Snaitech Group holds:

- power on the investment entity (i.e. it holds rights to direct the key business of the investment entity);
- the exposure or rights to variable returns resulting from the relation with the investment entity;
- the capacity to exercise its power on the investment entity in order to influence the amount of its returns.

The Snaitech 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 information on a line-by-line basis from the moment in which the Parent Company begins to exercise control until the date on which such control ceases.

Any excess in the purchase price with respect to fair value of the assets and liabilities acquired is recognised as “goodwill”.

The quotas in shareholders’ equity and the results attributable to minority shareholders are indicated separately, respectively in the consolidated balance sheet and in the consolidated income statement.

With regard to the business combinations, please see the section “Business combination”.

Affiliates

The Affiliates are entities over whose financial and management policies the Snaitech Group exercises considerable influence, while not having control or joint control. The consolidated financial statements include the quota of the investee’s profit and loss pertaining to the Snaitech 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 IAS36.

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 Snaitech Group. The portion of profit/(loss) for the year of the investee pertaining to the investing company is recognised in the consolidated statement of comprehensive income. The dividends received from an investee company reduce the book value of the investment. The adjustments to the book value of the investment are also due to changes in the items of the statement of other components of comprehensive income of the investee company. The portion of these changes, pertaining to the investing company, is recognised under other components of comprehensive income.

If the portion of the losses of an entity in an affiliate is equal to or greater than the holding in the affiliate, the entity interrupts the recognition of its portion of the additional losses. After having written off the investment, the additional losses are provided for and recognised as liabilities, only to the extent that the entity has undertaken legal or implicit obligations or has made payments on behalf of the affiliate. If the affiliate subsequently generates profits, the entity once again starts to recognise the portion of profits pertaining to it only after the same has equalised their portion of losses not recognised.

Transactions eliminated during the consolidation process

During the consolidation process, intercompany balances transactions, revenues and costs are completely eliminated.

Earnings not realised deriving from transactions with affiliates and jointly controlled entities are eliminated proportionately to the shareholding of the Snaitech Group in the entity. Losses not incurred are eliminated in the same manner as earnings not realised, but only in the absence of indicators that can provide evidence of a loss of value. In the same way, the unrealised profits and losses deriving from transactions with subsidiaries are eliminated.

Transactions in foreign currency

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

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

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

d. *Property, Plant and Equipment*

Owned assets

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

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

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

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

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

Depreciation

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

Land is non-depreciable.

The annual depreciation rates used are as follows:

- Buildings: between 3% and 20%

- Plant and equipment; between 10% and 66.67%
- Industrial and commercial equipment: between 10% and 15.5%
- Other assets: between 12% and 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 Snaitech 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 Snaitech Group's management attributes the goodwill for possible impairment, in accordance with the provisions of IAS36 – 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 IAS38 – Intangible Assets, if it is likely that using the asset will generate future economic benefits and if the cost of the asset may be determined reliably.

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

Research expenses are recognised at cost when incurred.

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

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

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

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

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

Development costs

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

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

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

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 amortised, but is regularly tested for impairment by the Snaitech Group. Such testing is performed on each financial reporting date. Intangible assets with a definite useful life are amortised from the time at which the asset becomes available for use.

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

- patent rights and rights to use original works: between 10% and 20%;
- concessions, licences, trademarks and similar rights: between 10% and 66.67%
- concessions for wagers: on the duration of the concessions expiring between June 2017 and March 2022;
- other assets: between 10% and 30.46%.

f. *Impairment of non-financial assets*

The Snaitech 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 Snaitech 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 information.

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 less than the carrying amount. If the impairment of the asset is subsequently eliminated or reduced, the carrying amount of the asset or cash-generating unit is reinstated (except in the case of goodwill).

g. *Reversal of impairment losses*

It is not permitted to reverse impairment of goodwill.

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

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

h. *Inventories*

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

i. *Trade receivables*

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

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

j. *Investments and financial assets*

IAS39 provides for the following classifications of financial instruments: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments, and available-for-sale financial assets. Initially, all financial assets are recorded at fair value, increased by ancillary costs, in the case of assets other than those at fair value, with changes to the income statement. The Group determines the classification of its financial assets at the moment of their initial registration.

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

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 Snaitech Group, are measured at cost rather than at fair value since the latter cannot be reliably estimated.

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

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

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

Other financial assets

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

k. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active exchange. After the initial recognition, such assets are measured according to the criterion of amortised cost, using the effective discount rate method less any provision for impairment.

Short-term receivables are not discounted since the effect of discounting the cash flows is immaterial. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or show signs of impairment.

Fair value

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

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

Fair value measurement

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

The hierarchy envisages the following three levels:

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

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

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

Amortised cost

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

Impairment of loans and receivables

The Snaitech Group verifies on each financial information 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.

1. *Cash and cash equivalents*

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

m. *Treasury shares*

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

n. *Financial liabilities*

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

All earnings or losses are recorded in the income statement when the liability is repaid, and also through the amortisation 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 Snaitech Group retains the right to receive cash flows from the asset but has assumed the contractual obligation to transfer the entirety of those cash flows to a third party;
- the Snaitech Group has assigned the right to receive cash flows the asset and (a) has substantially transferred all the risks and benefits of ownership of the financial asset or (b) has not substantially transferred all the risks and benefits of ownership of the asset but has transferred the control over it.

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

Netting of financial instruments

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

o. *Financial derivatives and hedge accounting*

Initial recognition and subsequent valuation

The Snaitech 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 Snaitech Group delineates and formally documents the hedging relationship to which it intends to apply the hedge accounting, its objectives in the management of risk and the strategy pursued. The documentation includes identification of the hedge instruments, the hedged item and transaction, the nature of the risk and of the methods by which the Snaitech Group 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 Snaitech Group uses forward exchange contracts based on the expected transactions and firm commitments; similarly, the Snaitech Group 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 recognised 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 Snaitech Group holds the derivative as economic hedging (and does not apply the hedge accounting) for a period exceeding 12 months after the date of the financial statement, the derivative is classified as non-current (or divided between current and non-current) on the basis of the underlying element;
- Implicit derivatives which are not strictly related to the main contract are classified in line with the cash flows of the main contract.

p. *Post-employment benefits (TFR)*

Post-employment benefits (TFR) are considered to be a defined-benefit plan according to IAS19.

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 information 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 IAS19 "Employee Benefits", the obligation representing the post-employment benefits accrued as of 31 December 2006, which remains registered even after 1 January 2007 on the liabilities side of the balance sheet in the financial information, 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 IAS19, 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 Snaitech Group recognises the following change in net liabilities for defined-benefit plans in the income statement:

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

q. *Provisions for risks and charges*

The Snaitech Group recognises a provision 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.

The amount of the provisions is represented by the estimated present value of the future cash flows at a discount rate, including tax and the best estimate of legal expenses, that reflects the current market assessment of the present value of the money and the specific risks related to liabilities. The increase of the provisions associated with the passage of time is recognised in the consolidated statement of comprehensive income in the item "Financial expenses".

r. *Trade payables*

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

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

s. *Assets held under financial or operating leases*

Whether or not a contractual agreement is defined as a leasing operation (or containing a leasing operation) depends on the substance of the agreement and requires evaluating whether performance of the agreement depends on using one or more specific assets or whether the agreement transfers the right to use those assets. The contract is re-evaluated after the initial evaluation only if one of the following conditions arises:

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

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

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

Operating lease

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

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

Financial lease

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

Leased assets that are capitalised are amortised 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 Snaitech Group will obtain ownership of the asset at the end of the agreement.

t. *Revenues and expenses*

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

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

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

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/ADM.

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/ADM.

Revenue from on-line gaming (games of skill/casino/bingo) is expressed in the financial information 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 IAS32 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 odds bets (or bets for which the Snaitech Group bears a risk deriving from winnings) are stated in the financial statements under “Revenues from sales of goods and services” net of costs for the single tax, the ex ASSI withholding, winnings and refunds paid to bettors.

The revenues from accepting totalisator bets, on the other hand, are recognised on the basis of the percentage of the premium established by the agreement for the year in which the bets are placed.

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

u. *Financial income and expenses*

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

v. *Income tax (current and deferred)*

The income taxes include current and deferred taxes calculated on the taxable income of the companies belonging to the Snaitech Group. The income tax is recognised in the income statement, except for income related to transactions directly recognised in shareholders’ equity, which is accounted for in equity.

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

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

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

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

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

w. *Segment reporting*

An operating segment is a component of an entity that undertakes business operations that generate revenues and costs, the operating results of which are reviewed periodically at the highest operational decision-making level for the adoption of decisions on the resources to be allocated to the sector and an assessment of results, and for which separate financial information is available. The operating segments as defined by IFRS8 are illustrated in Note 3, including the related comparative information.

x. *Earnings per share*

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

y. *Business combination*

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

If the business combination occurred in steps, the shareholding previously held by the Snaitech Group in the acquired company is remeasured at fair value as of the date control was acquired, and any resulting profit or loss is recognised in the consolidated statement of comprehensive income.

The goodwill acquired in a business combination is initially measured at cost, which is represented by the surplus between the sum of the amount transferred in a business combination, and identifiable net assets acquired and liabilities undertaken. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, this surplus is accounted for as income from the transaction and recognised in the income statement. After the initial recognition, the goodwill is measured at cost, net of accumulated impairment losses. In order to check the presence of impairment

losses, the goodwill acquired in a business combination is allocated, at the acquisition date, to the single cash generating units or to the groups of cash generating units which should take benefit from the synergies of the combination, regardless of the fact that other assets or liabilities of the acquired company are assigned to these units or groups of units. When the goodwill is part of a cash generating unit (group of cash generating unit) and part of the asset internal to the transferred unit, the goodwill associated to the transferred asset is included in the carrying amount of the asset in order to determine the gain or loss resulting from the disposal. The goodwill associated with the disposed assets must be determined based on the related values of both the disposed activity and the portion kept within the cash generating unit.

Within the 12 months following the acquisition date, the differences resulting from this transaction are allocated, while recognising, at fair value and at the acquisition date, the identifiable assets acquired and the liabilities undertaken. If the initial recognition of a business combination can only be determined on a provisional basis by the end of the year in which the combination is achieved, the recognition of the combination takes place on the basis of the provisional values. The adjustment of these provisional values further to the completion of the initial recognition is recognised within 12 months of the acquisition date.

z. *Dividends*

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

2. CONCESSION AGREEMENTS

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

<i>Owner</i>	<i>Qty</i>	<i>Subject matter</i>	<i>Due Date</i>
Snaitech	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. (Consolidated Text of Public Safety Laws), as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions	March 2022
Snaitech	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
Snaitech	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
Snaitech	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

<i>Owner</i>	<i>Qty</i>	<i>Subject matter</i>	<i>Due Date</i>
Snaitech	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.	October 2020
Snaitech	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

With regards to the abovementioned concessions on bets, which expired in June 2016, the 2016 Stability Law set out the renewal within the year, described in par. 932.

Paragraph 932 sets out that on 1 May the selection proceeding would be started to award, for the next nine years, concessions for the wagers of sports bets and horse racing bets (the relevant concessions are expiring on 30 June 2016 and the law sets out that they will continue to operate – through technical extension – until signature of the new conventions), for a total amount of 15,000 rights, divided as follows:

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

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

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

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

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

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

3. OPERATING SEGMENTS

The segment reporting is presented by “operating segment”. The definition of the segments is based upon the management structure and the internal reporting system followed by the Snaitech Group. Intra-segment sales take place at market conditions.

The operating segments subject to specific disclosure in which the Snaitech Group operates are represented below:

- **Gaming Machines:** activities associated with the concession for the activation and operative running of the network for the online management of legal gaming by means of gaming machines (AWPs and VLTs), plus the portion of revenues pertaining to the shops managed directly;

- **Retail Betting:** activities relating to the running of the concessions for the management on the physical channel (shops and corners) of sports, horserace betting, and those on virtual events, plus the portion of revenues pertaining to the shops managed directly;
- **Online:** activities relating to the management of the concession for the supply of skill games, bingo and casino games and the sports, horserace betting, and those on virtual events, accepted via the online channel;
- **Racecourse Management:** this segment includes operations related to the management of the racetracks, including real estate management and organisation of races.
- **Other:**
 1. activities associated with television and radio services managed by the company Teleippica S.r.l. (Broadcasting);
 2. activities associated with online services provided to wager acceptance points and added value commercial services.

The total value of the assets and liabilities for each segment is not subject to disclosure since these values are not periodically reviewed by the CODM (Chief Operating Decision Maker). The table presented below provides information on the contribution to consolidated figures of the segments as defined above. The contribution margins by sector include both directly attributable elements and amounts reasonably attributable with the allocation process. Specifically, the sector results include the pertinent revenues, the related distribution costs (including any fees paid to suppliers of the gaming platforms) and the charge of the concession fee.

The “Retail Betting” and “Online” segments include the 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 or PoS (Point of Sale) and on the website www.snaitech.it where Snaitech is the direct concession holder. The counter 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 pay-out risk is borne by the concession holder since the remuneration is defined as a percentage of the wagers.

Year ended 31 December 2015

	<i>Gaming machines €'000</i>	<i>Retail betting €'000</i>	<i>Online €'000</i>	<i>Management of Racecourses €'000</i>	<i>Other €'000</i>	<i>IC eliminations and adjustment €'000</i>	<i>Consolidated €'000</i>
Total revenues	420,276	146,662	41,098	11,144	22,050	(9,421)	631,809
Costs	(317,908)	(82,520)	(10,747)	(93)	(1,201)	4,322	(408,147)
Contribution margin	102,368	64,142	30,351	11,051	20,849	(5,099)	223,662
Other costs						3,255	(132,603)
Profit before amortisation, depreciation, write downs, financial income/expenses, taxes						(1,844)	91,059
Amortisation and depreciation							(70,249)
Other provisions							(11,271)
Financial expenses							(55,398)
Taxation							(8,372)
Loss for the year							(54,231)

Year ended 31 December 2016

	<i>Gaming machines</i>	<i>Retail betting</i>	<i>Online</i>	<i>Management of Racecourses</i>	<i>Other</i>	<i>IC eliminations and adjustment</i>	<i>Consolidated</i>
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total revenues	656,991	173,369	50,365	9,943	24,081	(16,252)	898,497
Costs	(523,554)	(97,334)	(12,482)	(87)	(2,565)	11,385	(624,637)
Contribution margin	133,437	76,035	37,883	9,856	21,516	(4,867)	273,860
Other costs						4,903	(154,700)
Profit before amortisation, depreciation, write downs, financial income/expenses, taxes						36	119,160
Amortisation and depreciation							(57,400)
Other provisions							(11,036)
Financial expenses							(86,367)
Taxation							18,689
Loss for the year							(16,954)

Year ended 31 December 2017

	<i>Gaming machines</i>	<i>Retail betting</i>	<i>Online</i>	<i>Management of Racecourses</i>	<i>Other</i>	<i>IC eliminations and adjustment</i>	<i>Consolidated</i>
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total revenues	628,274	176,535	65,249	7,981	21,913	(10,344)	889,608
Costs	(510,717)	(93,799)	(17,773)	–	(1,818)	7,040	(617,067)
Contribution margin	117,557	82,736	47,476	7,981	20,095	(3,304)	272,541
Other costs						3,289	(139,870)
Profit before amortisation, depreciation, write downs, financial income/expenses, taxes						(15)	132,671
Amortisation and depreciation							(50,533)
Other provisions							(44)
Financial income/(expenses)							(40,518)
Taxation							(14,566)
Profit for the year							27,010

In 2017, the following should be noted:

- the reduction of the contribution margin of the gaming machines segment, owing to the wagers decrease and the PREU tax rate increase and partially mitigated by the payout reduction for AWP's and VLTs;
- the retail betting segment recorded an increase in margin, owing to higher wagers and lower sports payout, despite the lower wagers from horseracing and virtual events;
- the contribution margin of the online segment benefited from increased wagers from all games and better sports payout;
- significant benefits from synergies were obtained following the merger by incorporation of the Cogemat Group into the Snaitech Group;
- the aforementioned effects along with a reduction in amortisation, depreciation and financial charges positively impacted earnings before taxes, other financial income and expenses, amortisation and depreciation.

4. BUSINESS COMBINATIONS

Year ended 31 December 2015

Cogemat S.p.A.

On 30 September 2015, Snaitech signed an agreement for the acquisition from OI Games 2 S.A. of the entire share capital of Cogemat S.p.A. (“Cogemat”). The acquisition was carried out through the transfer, into Snaitech share capital, of the shareholding held in Cogemat by OI Games 2 S.A. (equally owned (50%) by OI Games S.A. and International Entertainment S.A.).

With respect to this transfer, Snaitech issued new shares for a total value of €140 million. After this transaction, the old shareholders of Cogemat obtained a shareholding consisting in 71,602,410 newly issued Snaitech shares (38% of Snaitech share capital after the share capital increase, instrumental to the transfer).

For the purposes of allocating the purchase price related to the transaction pursuant to the IFRS 3 accounting standard (Business Combinations), Snaitech proceeded to identify and measure at fair value the assets of the acquired company, with the support of an independent external consultant. In the preliminary analysis, the Commercial Network is identified as the only asset to be written-up. During the years, in fact, Cogemat has built a sound customer portfolio. The Commercial Network is based on customers with whom the company signed agreements for the use of AAMS licenses. In particular, Cogemat allows operators, disseminated over the Italian territory, to use the AAMS licenses related to betting. These licenses, owned by Cogemat, are granted for use to operators together with electronic machines, through which bets are placed, against the payment of fees proportionate to the type of machines (VLTs or AWP) and bets. The multi-period excess earning method was used to estimate the fair value of Cogemat’s Commercial Network.

With respect to this acquisition, the fair value of assets acquired and liabilities assumed, as well as the residual value allocated to goodwill, are not final at 31 December 2015. As permitted by IFRS 3, over the twelve months after the transaction, and to complete the measurement process, it is possible to adjust, with retroactive effect, provisional amounts of acquired assets and liabilities to take account of their fair value at the acquisition date, with consequent re-measurement of goodwill.

Finscom S.r.l.

On 1 April 2015, Snaitech entered with Finscom S.r.l., in liquidation, (“Finscom”) and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law.

In execution of the aforesaid agreement, an extraordinary shareholders’ meeting of Finscom was held on 8 April 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom’s share capital (€25,000), partly through the corresponding waiver of certain amounts receivable and partly through an increase of the share capital reserved to Snaitech and SNAI Rete Italia S.r.l. (the company indicated by Snaitech pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom.

Following the waiver by Finscom’s shareholders of their right to subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, Snaitech subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of €2,662,145). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of €2,363,438.

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

On 20 June 2015, Finscom S.r.l. was no longer in liquidation, nor under the composition with creditor’s procedure.

The purchase cost, equal to €5,025,000, therefore included a payment of €2,363,000 made by SNAI Rete Italia S.r.l. and a conversion of the Snaitech receivables amounting to €2,662,000.

The difference between price for the purchase of the shareholding and fair value of the aforesaid acquired carrying amounts, net of the difference charged to income statement (equal to €6,090,000), was entirely

accounted for as goodwill (which is therefore equal to €857,000). Given the key importance of the acquisition, which stems from the maintenance, by the acquiring concession holder, of its margins, related to a significant number of betting shops, and not from the actual management of the betting shops themselves, it should be also noted that the higher value paid, compared to the carrying amount of acquired assets, is attributable to a general concept of goodwill, which cannot be allocated to special assets.

SIS Business Unit

On 7 July 2015 Snaitech and SNAI Rete Italia S.r.l. subscribed an agreement for the rent, with subsequent acquisition, of a business unit of SIS S.r.l. in liquidation. The agreement entered in force on 22 July 2015.

The total purchase price was agreed on €8,362,000 (to be paid excluding the rent paid by SNAI Rete Italia to SIS until finalisation of the transfer). It should be also considered that the final purchase price of the Business Unit is subject to adjustments based on special terms and conditions agreed upon with the selling party.

On 9 July 2015, SNAI Rete Italia S.r.l. formed a deposit, equal to €1.3 million, to guarantee the fulfilment of all payment obligations undertaken with the rent of the SIS business unit. As of 31 December 2015, this deposit was used, in the amount of €649,000, to cover expenses related to rentals paid.

The difference between purchase price of the shareholding and fair value of the above-mentioned acquired book values, net of the difference charged to income statement (equal to €5,138,000), was recorded as goodwill (which is therefore equal to €2,360,000). Given the key importance of the acquisition, which stems from the maintenance, by the acquiring concession holder, of its margins, related to a significant number of betting shops, and not from the actual management of the betting shops themselves, it should be also noted that the higher value paid, compared to the carrying amount of acquired assets, is attributable to a general concept of goodwill, which cannot be allocated to special assets.

Moreover, the payment of a price for the rent and envisaged acquisition, agreed in the amount of €8,362,000, was set out in the agreement for the further maximum amount of €2.5 million, to cover possible liabilities related to personnel that might occur in SIS over the next few months. As of 31 December 2015, transactions totalling €195,000 had already been defined. Directors deemed as probable the possible disbursement of the entire amount provided for as guarantee, and therefore allocated the residual amount, equal to €2,305,000, to a provision for risks

Fair value of assets and liabilities

The fair value of assets and liabilities, acquired in three business combinations that occurred during the year ended 31 December 2015, are shown hereunder as of the date of the related acquisition:

	<i>Finscom</i> €'000	<i>Fair value</i>		
		<i>SIS</i> €'000	<i>Cogemat</i> €'000	<i>Total</i> €'000
Intangible assets	—	—	98,537	98,537
Property, plant and equipment	86	864	11,787	12,737
Shareholdings	5	—	4	9
Deferred tax assets	18	—	28,891	28,909
Other non-financial current assets	66	—	1,142	1,208
Inventories	1	—	151	152
Trade receivables	329	—	79,054	79,383
Other assets	191	—	31,650	31,841
Current financial assets	111	—	11,585	11,696
Cash on hand	127	—	38,029	38,156
Total assets	934	864	300,831	302,629

	<i>Finscom</i>	<i>Fair value</i>		
	<i>€'000</i>	<i>SIS</i>	<i>Cogemat</i>	<i>Total</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Provisions and other liabilities	3,270	–	93,359	96,629
Deferred tax liabilities	–	–	14,296	14,296
Trade payables	4,400	–	12,141	16,541
Current and non-current financial liabilities	211	–	112,487	112,698
Total liabilities	7,881	–	232,283	240,164
Net assets	(6,947)	864	68,547	62,464
Goodwill relating to the purchase	857	2,360	71,453	74,670
Difference charged to income statement	6,090	5,138	–	11,228
Cash used in recapitalisation of the company	5,025	–	–	5,025
Total purchase cost	5,025	8,362	140,000	153,387

The net disbursements for each single acquisition are reported hereunder. The following should be considered:

- the payments made for the acquisition of Finscom were made directly in favour of the company, for which the only change was determined by the acquired cash;
- as regards the acquisition of the S.I.S. business unit, only the amount of €1.3 million was paid as deposit, while the residual debt for the acquisition, amounting to €6,457,000, as of 31 December 2015, net of some receivables, is disclosed in the liabilities of the consolidated balance sheet;
- the acquisition of the Cogemat Group was carried out through the increase of the reserved share capital increase, which is therefore without disbursement. In this case as well, the impact was limited to the acquired net cash.

Net cash disbursements per each single acquisition are reported hereunder:

	<i>Finscom</i>	<i>SIS</i>	<i>Cogemat</i>	<i>Total</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Net cash acquired with the subsidiary	127	–	38,029	38,156
Payments already settled	–	(1,300)	–	(1,300)
Total cash acquired	127	(1,300)	38,029	36,856

Year ended 31 December 2016

Cogemat S.p.A.

As of 31 December 2015, the Purchase Price Allocation (“PPA”) of Cogemat S.p.A. had been stated as provisional, as permitted by IFRS 3, for the twelve months after the transaction and, upon completion of the measurement process, it was possible to adjust, with retroactive effect, amounts of acquired assets and liabilities to take account of their fair value at the acquisition date, with consequent re-measurement of goodwill.

On 23 June 2016, ADM informed Cogetech S.p.A. of the amount due by the latter for consistency assessments of the gaming systems and machines VLT for the 2013-2015 three-year period, equal to €439,000. On 12 September 2016, Cogetech S.p.A. required to review the calculation of charges related to the aforesaid assessments. ADM upheld the objections highlighted by Cogetech S.p.A. and modified the amount in €371,000. Therefore, goodwill recorded as of 31 December 2015 was adjusted by €269,000 (passing from €71,453,000 to €71,722,000), net of the related tax effect totalling €102,000. Furthermore, the value registered as of 31 December 2015 in the item “Other liabilities” was increased by €371,000.

Year ended 31 December 2017

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

- (1) On 30 May 2017 the Business Unit related to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Purchase price was equal to €800,000.
- (2) On 29 November 2017, assets and liabilities purchased with the Business Unit are limited to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Acquisition is effective from 1 December 2017. Purchase price was equal to €3 million with a maximum earn-out of €300,000 if and when certain thresholds of target wagers are reached in the next six months following the effective date. As of 31 December 2017 purchase price is still provisional and amounts to €3.3 million.
- (3) On 30 November 2017, assets and liabilities purchased with the Business Unit are limited to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with points of sales. Acquisition is effective from 1 December 2017. Purchase price was equal to €1.17 million with a maximum earn-out of €130,000 if and when certain thresholds of target wagers are reached in the next six months following the effective date. As of 31 December 2017 purchase price is still provisional and amounts to €1.3 million.

The table below summarises

Fair value of assets and liabilities

The fair value of assets and liabilities, acquired in three business combinations that occurred during the year ended 31 December 2017, are shown hereunder as of the date of the related acquisition:

	<i>Fair value</i>			
	<i>BU (1)</i>	<i>BU (2)</i>	<i>BU (3)</i>	<i>Total</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
AWPs (motherboards included)	390	846	331	1,567
Money changing machines	50	186	63	299
Other assets	—	30	7	37
Assets value	440	1,062	401	1,903
Tax effect	58	—	—	58
Purchase price	800	3,300	1,300	5,400
Goodwill	418	2,238	899	3,555

5. REVENUE FROM SALES AND SERVICES

The amount of revenues from sales of goods and services is detailed below:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Revenues from gaming machines	387,574	646,881	625,227
Net revenues from the collection of fixed odds			
sports and horse racing betting	103,202	125,684	150,757
Revenues from virtual events	36,594	38,886	34,601
Net revenues from online games (skill/casino/bingo)	18,965	22,878	27,499
Revenues from totalisator, national horse			
racing/sports forecast bets	17,446	18,148	14,065
Revenues from betting collection services	4,183	4,742	3,838
Revenues from virtual event services	3,051	2,919	3,000
Revenues from commissions	3,169	2,967	1,864
Revenues from service and assistance contracts	4,618	3,949	3,479
Revenues from the operation of			
betting services at racecourses	6,722	5,413	4,659
Management of racecourses and real estate properties	1,217	1,267	1,258
Revenues from television services and related services	9,839	9,986	9,938
Other services and sales to third parties	2,683	5,344	4,028
	<u>599,263</u>	<u>889,064</u>	<u>884,213</u>

“Revenues from gaming machines” in 2016 and 2017 are set out below:

	<i>For the year ended</i>	
	<i>31 December</i>	
	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>
Turnover from gaming machines	7,475,884	7,147,577
Winnings	(5,947,914)	(5,635,786)
Flat-rate gaming tax (PREU)	(881,089)	(886,569)
Total revenues from gaming machines	<u>646,881</u>	<u>625,222</u>

Revenues from gaming machines decreased in 2017 mainly due to the combined effect of lower wagers and a PREU tax rate increase as of April 2017.

Revenues from gaming machines in 2017 and 2016 include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms. Such costs are shown within “costs for services and use of third party assets” in Note 8. Concessioners are required to pay a security deposit to ADM equal to 0.50% of the wagers played on each gaming machine, with the aim of providing pre-established service levels.

The Statement of Financial Position includes such credit within “security deposit related to gaming machines” by an amount equal to €35,735,000 paid in 2017 (see Note 21). The Security deposit is refunded to the concessioners each year once the achievement of the pre-established service levels has been verified.

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

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Turnover from fixed odds sports betting	748,129	1,009,146	1,133,964
Reimbursements of fixed odds sports betting	(647)	(597)	(1,243)
Winnings of fixed odds sports betting	(617,982)	(856,142)	(948,232)
Single tax on fixed odds sports betting	(28,684)	(29,590)	(36,394)
Net revenue from the collection of sports betting	100,816	122,817	148,095
Turnover from fixed odds horse racing betting	30,441	42,860	51,618
Reimbursements of fixed odds horse racing betting	(171)	(276)	(332)
Winnings of fixed odds horse racing betting	(24,127)	(34,401)	(42,287)
Single tax on fixed odds horse racing betting	(1,235)	(1,748)	(2,084)
Taxation on horse racing	(2,522)	(3,568)	(4,253)
Net revenue from the collection of fixed odds horse bets	2,386	2,867	2,662
Total net revenues from the collection of fixed odds sports and horse race betting	103,202	125,684	150,757

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

Revenues from online gaming are detailed below:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Turnover from online games (skill/casino/bingo)	729,732	919,072	1,180,012
Winnings	(704,926)	(889,537)	(1,144,297)
Single tax	(5,841)	(6,657)	(8,216)
Total net revenue from online gaming (skill/casino/bingo)	18,965	22,878	27,499

The increase in revenues from online in 2017 is due to increased wagers.

Revenues from virtual events are broken down in the following table:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Turnover from virtual events	272,003	298,552	278,631
Winnings and reimbursements of virtual events	(226,133)	(249,709)	(235,136)
Single tax on virtual events	(9,276)	(9,957)	(8,894)
Total net revenues from virtual events	36,594	38,886	34,601

The reduction in revenues from virtual events in 2017 is due to lower wagers and a slight increase in winnings.

“Revenues from television services and related services” in 2017 mainly arises from the agreement between the subsidiary Teleippica S.r.l. and MIPAAF concerning the television broadcasting of horse races at the points of sale.

“Other services and sales provided to third parties” in 2017 mainly includes: net revenues from mobile top-ups of €1,449,000; subsidies from MIPAFF (Ministry of Agriculture) related to broadcasting activities of €796,000; net revenues from numerical games totalizer of €309,000; net revenues from events and sponsorships of €297,000; and revenues related to payment services of €209,000.

6. OTHER REVENUE AND INCOME

Other revenue and income is detailed below:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Lease of assets and chargeback of ancillary expense	156	145	132
Active trading/income from lawsuit	30,890	7,177	584
Revenue from compensation and reimbursement for damages	87	204	2,353
Grants from UNIRE investments fund	53	53	53
Capital gain from assets	79	97	1,007
Revenues from organisation and technology sales	234	147	112
Other revenue and income	1,047	1,610	1,154
Total	32,546	9,433	5,395

The reduction in 2017 versus 2016 is mainly due to the significant reduction of income from a lawsuit.

7. RAW MATERIALS AND CONSUMABLES

The cost of raw materials and consumables mainly relate to materials used in bet collection, technology and the furnishings installed in the new points of sales.

8. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

Costs for services and use of third party assets are detailed below:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Gaming machine services	298,377	499,129	487,775
Betting acceptance management	60,190	67,147	67,481
Virtual events management costs	14,891	16,041	15,758
Online games management	10,093	10,661	13,641
Paymat services	346	1,574	1,130
Management of horse racecourse	1,378	1,152	1,273
Television and radio services	7,303	7,572	8,064
Rent of stations	382	374	359
Consultancy cost and expense reimbursements	8,440	6,764	6,470
Utilities and telephone	8,011	9,177	7,250
Equipment repair and maintenance	8,795	8,884	9,704
Advertising and promotion	4,957	7,211	8,644
Installations, logistics and design	1,280	1,880	2,251
Other personnel costs for collaborations and other services	466	346	171
Costs of research	—	—	102
IT services	455	1,430	2,191
Insurance and guarantees	4,620	6,153	5,763
Bank charges	1,131	1,661	2,176
Market research	205	189	89
Marketing materials	829	1,260	2,908
Rental fees and ancillary charges	2,449	5,448	3,976

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Operating leases and other leasing	1,619	2,688	2,348
Directors' fees	1,752	1,498	1,076
Statutory auditors' fees	257	341	164
Regulation authority and committee's fees	194	239	152
Other	5,276	7,571	3,995
Total	443,696	666,390	654,911

In relation to the table:

- Costs of services related to gaming machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms. The decrease in gaming machine services costs in 2017 is mainly due to the reduction of wagers, the increase of PREU tax rate and the subsequent allocation of a lower net cash box to the different stakeholders of the gaming machines value-chain;
- Betting acceptance management costs related to sports and horserace bets acceptance from points of sales;
- Costs associated with virtual events management include operator remuneration and platform cost;
- Online games management costs include operator remuneration, platform cost and promotional expenses.

Several activities of research, development and innovation were carried out in 2017 for €102,000 subject to fiscal incentives, pursuant to Law 190/2014. In particular, following the certification by an auditor, an R&D tax credit of €123,000 in 2017 was recognised (to be claimed only by F24 model submission). All activities were related to the project (and sub-projects) labelled "Digital Transformation v/s Robotic Process Automation 2017".

"Other" above mainly comprises surveillance and money transfer services, cleaning services, postal and shipping expenses, costs for waste disposal and costs for the management of company vehicles.

9. COSTS OF PERSONNEL

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Salaries and wages	28,622	40,796	36,023
Social security expenses	8,779	12,139	10,698
Cost related to defined benefit/defined contribution schemes	1,980	2,512	2,264
Costs for personnel training	71	135	208
Expense reimbursement to employees	692	894	864
Meal tickets	873	970	860
Share based remuneration	—	—	120
Other costs of personnel	4,093	1,865	274
Total	45,110	59,311	51,311

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

Costs of personnel decreased in 2017 due primarily to: (i) the sale of business units, in the context of outsourcing points of sale directly owned by SNAI Rete Italia S.r.l.; (ii) benefits arising from the reduction

of operating costs following the merger with the Cogemat Group (now Snaitech); redundancy program, which allowed the use of the Wage Guaranteed Fund and a voluntary redundancy scheme.

The composition of the employees as of 31 December 2015, 31 December 2016 and 31 December 2017 is illustrated by the following table:

Year ended 31 December 2015

	<i>As at 1 January 2015</i>	<i>Business combination</i>	<i>Hired in the year</i>	<i>Left during the year</i>	<i>As at 31 December 2015</i>	<i>Average workforce for the year</i>
Executives	27	13	2	(5)	37	27
White collar employees and mid-level managers	598	434	319	(133)	1,218	792
Blue-collar workers	65	–	–	(3)	62	63
Total employees	*690	447	321	(141)	**1,317	882

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

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

Year ended 31 December 2016

	<i>As at 1 January 2016</i>	<i>Hired in the year</i>	<i>Left during the year</i>	<i>As at 31 December 2016</i>	<i>Average workforce for the year</i>
Executives	37	1	(10)	28	31
White collar employees and mid-level managers	1,218	79	(248)	1,049	1,172
Blue-collar workers	62	–	(8)	54	60
Total employees	*1,317	80	(266)	**1,131	1,263

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

** of whom 258 part-time and 19 on maternity leave

Year ended 31 December 2017

	<i>As at 1 January 2017</i>	<i>Hired in the year</i>	<i>Left during the year</i>	<i>Reclassi- fication</i>	<i>As at 31 December 2017</i>	<i>Average workforce for the year</i>
Executives	28	1	(3)	1	27	28
White collar employees and mid-level managers	1,049	77	(351)	1	776	909
Blue-collar workers	54	–	(7)	(2)	45	49
Total employees	1,131	78	(361)	–	848	986

The reduction in employees in 2017 was mainly due to the outsourcing of the points of sale directly owned by SNAI Rete Italia S.r.l. along with the downsizing of Snaitech corporate structure and the redundancy program, which resulted in the voluntary departure of employees.

Incentive schemes

On 13 March 2017, the shareholders' meeting approved two incentive plans applicable to the Managing Director and other executives of the Snaitech Group, thus conferring to the board of directors all the broadest powers for the management and implementation of the above-mentioned plans.

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

Both incentive plans for the Chief Executive Officer and certain executives are however subordinated to a “change of control” event following the sale of the Parent Company at a share price substantially higher than current Snaitech share price. Therefore, the incentive plan for the Chief Executive Officer and each selected executive is mainly related to the achievement of the company targets, as it is strictly connected to increase the company value in the context of change of control transaction, with the aim to align shareholders interest with transaction beneficiaries.

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

Incentive scheme for the Managing Director and General Manager

The scheme provides for the attribution to the Managing Director and General Manager of a cash bonus equal to a given percentage of the company value, measured on the basis of the share price at the time of the change in control of the company, according to different and growing threshold levels based on change of control date. In particular, the incentive is functional to the date when the change of control happen and on the value of the share according to the following table:

<i>Incentive Scheme</i>	<i>Date of change of control</i>			<i>Incentive amount (in % based on Snaitech value)</i>
	<i>By 31 March 2018</i>	<i>By 31 March 2019</i>	<i>Beyond 31 March 2019</i>	
	< €2.10	< €2.31	< €2.43	0.0%
	= €2.25	= €2.48	= €2.60	0.5%
Share price	= €2.40	= €2.64	= €2.77	1.0%
	= €2.55	= €2.81	= €2.95	1.5%
	> €2.70	> €2.97	> €3.12	2.0%

The plan has been accounted according to IFRS 2 (Share-based payments). As per IFRS 2, such plans are part of the remuneration of the relevant beneficiary. The cost of such schemes is represented by the fair value and is accounted on the Consolidated Statement of Comprehensive Income below the item “Cost of personnel” in the period between the assignment and vesting. The debit entry is recorded at fair value and is assessed at the end of each accounting period. In particular, the scheme has been assessed cash-settled.

Measurement model

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

The Fair Value of the benefits assigned and subject to measurement, based on the assumption to achieve a change of control, amounted to €652,000, of which €99,000 recognised in the Income Statement of 2017.

Incentive scheme for the Executives

The scheme provides for the attribution to Executives of the company (or its subsidiaries) up to 3,768,546 options, which confer the right to receive cash bonus subject to specific conditions. The scheme has three-year maturity and is divided into three subsequent periods. The options to be measured fall within the

first period for 1,256,182, would be vested subject the achievement of target EBITDA for the period ending 31 December 2017 and would be exercisable in the event of a change of control (as long as the Executive is still employed). The incentive is functional to the date when the change of control happen and on the value of the share according to the following table:

<i>Incentive Scheme</i>	<i>Incentive</i>		<i>Change of control between 1 April 2018 and 31 March 2019</i>		<i>Incentive</i>	
	<i>Change of control by 31 March 2018</i>	<i>amount (in % based on Snaitech value)</i>	<i>Change of control by 31 March 2018</i>	<i>amount (in % based on Snaitech value)</i>	<i>Change of control after 31 March 2019</i>	<i>amount (in % based on Snaitech value)</i>
	< €2.30	0.00%	< €2.53	0.00%	< €2.66	0.00%
Value of	= €2.45	0.33%	= €2.70	0.42%	= €2.83	0.50%
Liquidity event	= €2.60	0.67%	= €2.86	0.83%	= €3.00	1.00%
(per share)	= €2.75	1.00%	= €3.03	1.25%	= €3.18	1.50%
	> €2.90	1.33%	> €3.19	1.67%	> €3.35	2.00%

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

Measurement model

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

The Fair Value, under the assumption of change of control, equals €254,000, of which €21,000 recorded on the Income statement of 2017.

10. OTHER OPERATING COSTS

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Concessions and licence fees	17,958	29,903	29,149
Stability law cost	7,004	—	—
Administrative fines	256	129	175
% non-deductible VAT	4,418	4,888	5,525
Provision for doubtful debts	11,792	7,214	7,547
Credit losses	1,750	1,177	1,980
Additional charges related to ADM agreements	—	—	1,499
Utilisations/releases related to the provision for doubtful debts	(178)	(509)	—
Release of provision for technological upgrading	(686)	(632)	(1,595)
Provision for risks	543	1,215	931
Representation expenses	127	181	156
Membership fees	174	313	301
Other taxes	807	930	1,045
IMU (real estate tax)	1,061	1,061	979
Stationery, consumables and promotional materials	287	725	565
Cost of environmental and health controls	153	216	196
Losses on settlement of disputes	5,618	5,825	914
Capital losses from sale of assets	617	657	327
Other administrative and operating costs	1,101	1,486	1,025
Total	52,802	54,779	50,719

“Concessions and licence fees” item in 2017 includes, among other things:

- concession fee for gaming machines of €21,449,000, being 0.30% of wagers and paid to ADM on a bimonthly basis;
- concession fees related to rights awarded through the 2006 tender (Bersani rights), 2008 tender (Giorgetti rights) and 2012 tender (Monti rights). These are all equal to an overall amount of €5,988,000;
- concession fee related to the Online segment for a total amount of €901,000; and
- television licence fees of €241,000.

Expenses related to doubtful debts were incurred in 2017 in order to realign their measurement with their recovery value. Such receivables arose in prior fiscal years in relation to the Snaitech Group’s core business and previous difficulties with regards to their collection.

“Non-deductible VAT” in 2017 arose mainly from different types of transactions executed by Snaitech. Such transactions result in VAT taxable and non-taxable revenues with subsequent impact on non-deductible VAT payable on purchases.

“Additional charges related to ADM agreements” include €1,207,000 claimed by ADM in 2017 on expired VLT tickets for the period between October 2010 and 19 March 2013.

Provisions for (expenses related to) risks in 2017 reflect several technological upgrades as allowed by the concession agreement for gaming machines pursuant to art. 110, par. 6, of the T.U.L.P.S. and the R.D. n. 773 of 18 June 1931 and subsequent amendments. In 2017, the provision for technological upgrading, set in accordance with the concession, was released, under the authorisation of ADM, for €1,595,000.

11. CAPITALISED INTERNAL CONSTRUCTION COSTS

Capitalised internal construction costs are essentially related to software generated internally for:

- IT systems and networking solutions supporting the business lines;
- centralised systems and peripheral terminals for the acceptance of bets, the sale of services, the distribution of information to operators, the display of information, and the management of both the sales points and gaming machines (AWPs and VLTs).
- centralised systems for the management of contacts with ADM for all product lines under concession;
- management systems and consoles for betting and risks on sales;
- centralised systems, gaming interfaces and integration protocols for on-line wagers.
- integrations with the systems of the Cogemat Group;
- implementation and activation of the new Snaitech.it website;
- management systems and consoles for back-office activities.

12. AMORTISATION, DEPRECIATION AND WRITE-DOWNS

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Amortisation of intangible assets	39,619	34,233	30,176
Depreciation of property, plant and equipment	18,709	22,514	19,611
Write-downs	11,921	653	746
Total	70,249	57,400	50,533

With regards to intangible fixed assets, the useful life of concessions which expired on 30 June 2016 was reviewed based on the notice 54917 of 9 June 2016, issued by ADM. This allowed for the continuation of the activities until publication of the tender (i.e. 30 June 2017). For further details, see Note 2.

Further information regarding the above is provided in the Notes 15 and 16, “Property, plant and equipment” and “Intangible assets”.

13. FINANCIAL INCOME AND EXPENSES

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Gains and expenses from shareholdings			
Write-up/(write-down) Alfea S.p.A.	198	23	–
Write-up/(write-down) Hippogroup Roma Capannelle S.p.A.	(23)	2	(641)
Write-up/(write-down) Solar A.A	(40)	(17)	55
Write-up/(write-down) shareholding in Obiettivo 2016	–	(4)	–
	<u>135</u>	<u>4</u>	<u>(586)</u>
Financial income			
Foreign exchange rate gains	8	20	14
Bank interest income	993	506	357
Other interest income	191	160	413
	<u>1,192</u>	<u>686</u>	<u>784</u>
Financial expenses			
Interest expense on bond loan	51,895	71,659	37,881
Interest expense on loans	86	–	16
Other interest expense	359	139	139
Bank interest expense	1	2	–
Foreign exchange rate losses	25	22	15
Interest expense and ancillary charges on leasing	198	216	59
Interest expense on employee termination indemnities	75	165	97
Other financial expenses	4,086	14,854	2,509
	<u>56,725</u>	<u>87,057</u>	<u>40,716</u>
Total	<u>(55,398)</u>	<u>(86,367)</u>	<u>(40,518)</u>

Financial expenses in 2017 include the following:

- “Interest on bond loan”, subject to depreciation in accordance with effective interest rate method proposed by IAS 39, totalling €37,881,000, of which €2,270,000 attributed to ancillary costs (see Note 28 for further details on bonds).
- “Other financial expenses” of €2,509,000, which includes discounting of receivables due beyond one year (€1,013,000), commitment fee (€905,000) and arrangement fee (€358,000) in relation to the new €85,000,000 revolving credit facility executed on 26 October 2016 (see Note 28 for further details on the revolving credit facility).

14. INCOME TAX

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
IRES	(95)	—	—
IRAP	2,500	3,213	3,349
Accrual to provision for deferred tax liabilities	4,773	4,751	4,802
Use of provision for deferred tax liabilities	(6,725)	(2,218)	(1,102)
Deferred tax assets	(4,003)	(30,443)	(1,695)
Reversal of deferred tax assets	11,955	6,016	9,964
IRES/IRAP for prior years	(33)	(8)	(752)
Total	8,372	(18,689)	14,566

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the consolidated financial information and the theoretical tax charge.

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
(Loss)/profit before tax	(45,859)	(35,643)	41,576
Theoretical IRES tax charge at 27.50% (2015-2016) and 24.0% (2017)	12,611	9,802	(9,978)
Theoretical IRAP tax charge at 5.12%	2,348	1,825	(2,129)
Total theoretical tax expense	14,959	11,627	(12,107)
Fines, penalties and other taxes	(1,378)	(272)	(230)
Impairment of shareholdings	—	—	(141)
Other permanent non-deductible costs	(18,812)	(15,269)	(612)
Other permanent tax deductions	6,524	1,949	432
Effect of disclosure of previous deferred tax assets	—	26,178	—
	1,294	24,213	(12,658)
Permanent differences for IRAP purposes (including employees)	(9,818)	(5,532)	(2,660)
	(8,524)	18,681	(15,318)
Tax and duties for prior year	152	8	752
Total	(8,372)	18,689	(14,566)

For further details on the effects deriving from the tax burden and the tax consolidation regime, reference is made to Note 18 “Deferred tax assets and deferred tax liabilities” of these explanatory notes.

The last year finalised for tax purposes was the year 2012. Reference is made to Note 29 for further details on tax disputes.

15. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings €'000</i>	<i>Plant and equipment €'000</i>	<i>Industrial and commercial equipment €'000</i>	<i>Other assets €'000</i>	<i>Assets under construction and advances €'000</i>	<i>Total €'000</i>
Cost						
At 1 January 2015	142,493	170,250	7,347	22,347	789	343,226
Business combination	–	47,257	1,246	22,186	55	70,744
Reclassification	109	549	45	118	(789)	32
Additions	4,028	4,874	63	509	5	9,479
Disposals	–	(6,035)	(17)	(1,432)	(1)	(7,485)
At 31 December 2015	146,630	216,895	8,684	43,728	59	415,996
Reclassification	–	1,373	(1,146)	(225)	–	2
Additions	855	10,151	51	343	–	11,400
Disposals	–	(12,623)	(562)	(12,753)	(59)	(25,997)
At 31 December 2016	147,485	215,796	7,027	31,093	–	401,401
Business combination	–	1,865	–	38	–	1,903
Reclassification	30	313	1,866	(1,932)	–	277
Additions	937	13,394	147	1,364	14	15,856
Disposals	(13)	(6,291)	(50)	(2,185)	–	(8,539)
At 31 December 2017	148,439	225,077	8,990	28,378	14	410,898
Accumulated depreciation and write downs						
At 1 January 2015	36,938	140,960	6,954	14,450	–	199,302
Business combination	–	35,179	1,001	21,023	–	57,173
Annual depreciation	3,158	11,809	161	2,392	–	17,520
Write-downs	–	496	–	200	–	696
Disposals	–	(5,581)	(16)	(1,073)	–	(6,670)
At 31 December 2015	40,096	182,863	8,100	36,962	–	268,021
Annual depreciation	3,218	16,785	73	2,438	–	22,514
Write-downs	–	97	–	81	–	178
Disposals	–	(12,397)	(2)	(12,606)	–	(25,005)
Reclassification	–	2,348	(1,351)	(997)	–	–
At 31 December 2016	43,314	189,696	6,820	25,878	–	265,708
Annual depreciation	3,210	14,716	85	1,600	–	19,611
Write-downs	81	665	–	–	–	746
Disposals	–	(5,697)	(45)	(2,069)	–	(7,811)
Reclassification	29	318	1,818	(1,888)	–	277
At 31 December 2017	46,634	199,698	8,678	23,521	–	278,531
Carrying amounts						
At 31 December, 2015	106,534	34,032	584	6,766	59	147,975
At 31 December, 2016	104,171	26,100	207	5,215	–	135,693
At 31 December, 2017	101,805	25,379	312	4,857	14	132,367

The net book value of property, plant and equipment decreased in 2017 due to the combined effect of:

- depreciation charged for the period of €19,611,000;
- additions of €15,856,000 plus additions via business combination of €1,903,000; and
- disposals net of accumulated depreciation of €728,000 and re-measurements of the accumulated depreciations of €746,000.

“Plant and equipment” include 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 central systems.

“Additions via business combination” in 2017 relate to the acquisition of business units and include money change machines and AWP, motherboards and other assets (see Note 4 for further information).

Additions in 2017 of €15,856,000 mainly relate to the following:

- “Land and buildings” totalling €937,000 comprising: €894,000 to consolidation activities and structural improvement of racetracks and €43,000 mainly due to remediation works;
- “Plant and equipment” totalling €13,394,000 comprising: €12,331,000 for the free-lease technology provided to the points of sale, including AWP; €144,000 for electro thermal and electrical systems; €219,000 for radio links; €65,000 for producer systems; €13,000 for projectors and €622,000 for the acquisition cost of capital goods (server, printers, PCs and monitors);
- “Other assets” totalling €1,364,000 comprising: €704,000 for free-lease furnishing and fittings provided free at the points of sale (including those ones directly owned), €11,000 for head office furnishing and €449,000 for leasehold improvements.

No financial expenses have been capitalized in property, plant and equipment, since the Snaitech Group does not have qualifying assets, as defined under IAS23.

Leasing

The Snaitech Group has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various maturity dates until 31 December 2021. These agreements include redemption and/or extension clauses.

In July 2016, the building in Porcari, Via Luigi Boccherini no. 39, was purchased by Snaitech. This was previously leased from Ing Lease Italia S.p.A. and it was purchased at a redemption price of €700,000. The following table shows the minimum future instalments of the financial leasing contracts:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Instalments due within 12 months	416	163	125
Instalments due between 1 to 5 years	72	300	173
Instalments due after 5 years	—	—	—
Total	488	463	298
Purchase option	—	22	—

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

16. INTANGIBLE ASSETS

	<i>Goodwill</i>	<i>Concessions, licenses, trademarks and similar rights</i>	<i>Industrial patent rights and use of intellectual property</i>	<i>Other assets</i>	<i>Assets in progress and advances</i>	<i>Total</i>
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
At 1 January 2015	231,605	256,789	16,430	19,894	375	525,093
Business combination	74,941	102,975	8,191	47,277	263	233,647
Reclassification	–	196	–	26	(207)	15
Additions	–	1,540	819	3,207	293	5,859
Disposals	–	(117)	–	(278)	(336)	(731)
At 31 December 2015	306,546	361,383	25,440	70,126	388	763,883
Reclassification	–	11	(4,330)	4,330	(195)	(185)
Additions	–	5,707	925	3,178	642	10,452
Disposals	–	–	(1,836)	(2)	(16)	(1,855)
At 31 December 2016	306,546	367,101	20,199	77,631	818	772,295
Business combination	3,555	–	–	–	–	3,555
Additions	–	3,144	168	1,874	662	5,848
Disposals	–	–	(5)	–	–	(5)
At 31 December 2017	310,101	370,245	20,362	79,505	1,480	781,693
Accumulated amortisation and impairment losses						
At 1 January 2015	74	164,348	12,956	13,327	–	190,705
Business combination	–	53,591	6,471	939	–	61,001
Annual amortisation	–	35,613	1,445	3,750	–	40,808
Disposals	–	(74)	–	(254)	–	(328)
At 31 December 2015	74	253,478	20,872	17,762	–	292,186
Annual amortisation	–	27,140	1,349	5,745	–	34,233
Write-downs	–	475	–	–	–	475
Disposals	–	–	(1,835)	(2)	–	(1,837)
Reclassification	–	–	(3,178)	3,024	–	(154)
At 31 December 2016	74	281,093	17,208	26,528	–	324,903
Annual amortisation	–	23,260	1,059	5,857	–	30,176
Disposals	–	–	(5)	–	–	(5)
At 31 December 2017	74	304,353	18,262	32,385	–	355,074
Carrying amounts						
At 31 December 2015	306,472	107,905	4,568	52,364	388	471,697
At 31 December 2016	306,472	86,007	2,991	51,103	818	447,392
At 31 December 2017	310,027	65,892	2,100	47,120	1,480	426,619

No financial expenses have been capitalised in intangible assets, since the Snaitech Group does not have qualifying assets, as defined under IAS23.

“Additions via business combination” in 2017 related to the acquisition of the business units (see Note 4 for further information).

Additions in 2017 relate primarily to the following:

- “concessions, licenses, brands and similar rights”, totalling €3,144,000, of which €1,500,000 was for the purchase of 100 VLT licenses and €1,644,000 was for the issuing of the AWP paper-based authorisation form (AKA “nullaosta”).
- “other assets”, totalling €1,874,000, including €818,000 for the development of Paymat, AWP portal and smart solution platform, €284,000 on VLT platform compliance, €400,000 related to financial management software, €200,000 related to bonuses finalised to exclusive agreements of VLT arcades, €160,000 for operation, logistic and CRM software development and €12,000 for development of portals.
- “assets in progress and advances”, totalling €662,000 comprising: €407,000 for in-house software, €176,000 for development of other software and €79,000 for development costs of the former Trotto area.
- “industrial patent right and intellectual property” totalling €168,000 in relation to licenses of in-house developed software.

Goodwill amounted to €310,027,000 at 31 December 2017 and was allocated to the following cash-generating units (CGU):

- €11,137,000 provided by SNAI Servizi Gioco S.r.l. allocated to CGU “Services”.
- €443,000 provided by Teleippica S.r.l. referred to the CGU “Broadcasting”.
- €149,779,000 to the CGU “Gaming machines”. CGU is represented by activities related to the concessions for gaming machines (AWP and VLT) and any related activities, management of the points of sales directly owned; the increase of €3,555 thousand compared to 31 December 2016 was due to the acquisition of business units (see Note no. 4).
- €78,918,000 to the “Betting Retail” CGU. This CGU includes the activities related to the concessions for Sports Betting, Horserace Betting and Virtual Events played on retail channel and the management of the point of sales directly owned;
- €69,750,000 to the “Online” CGU. This CGU includes the activities related to the concession for Online games (Skill games, Casino and bingo) and Sports Betting, Horserace Betting and Virtual Events played on the online channel.

Following the merger by incorporation of Cogemat Group into Snaitech, in December 2016 the segment information (as per Note no. 3) and the cash-generating units (CGU) were revised with the aim to reflect the new corporate structure and disclose results by business units, as usually adopted for the main stakeholders. In detail, the Snaitech Group describes the following CGUs, corresponding to each operating segment, including those that are not the object of a specific description:

- Gaming Machines
- Retail Betting
- Online
- Management of Horse Race racing tracks
- Services
- Broadcasting (former Television Services)

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

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

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

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

The cash flows for the 2018-2020 financial years of the above-mentioned CGUs were developed based on the 2018 Budget and the 2018-2020 Business Plan, approved by the Board of Directors of Snaitech on 9 March 2018. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was extrapolated from the last year of explicit projection (2019), to which an annual growth rate (“g”) of 0.5% was applied. The terminal value of “Gaming Machines” and “Retail Betting” CGU also takes into account any disbursements necessary on a periodic basis to renew the concessions. The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 7.4% for Gaming Machines, Retail Betting, Online and Services CGU and equal to 10.4% for Broadcasting CGU.

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

<i>Relevant parameters for estimates of value in use</i>	<i>Gaming machines</i>	<i>Retail betting</i>	<i>Online</i>	<i>Services</i>	<i>Broadcasting</i>
WACC	7.4%	7.4%	7.4%	7.4%	10.0%
WACC before tax	10.0%	9.8%	10.0%	10.0%	13.8%
Annual growth rate (“g”)	0.5%	0.5%	0.5%	0.5%	0.5%
Wagers (CAGR 2017-2020)	-0.2%	7.1%	12.1%	1.6%	–

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

In particular, we note that the excess of the value in use in the “Gaming Machines” CGU, compared to the carrying amount (including the goodwill), equal to €210.4 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 1.54% of the PREU on VLT for each year, compared to the assumptions of the budget and other forecasts; (ii) increase of 5.1% of the annual discount rate; (iii) a final nominal growth rate of -3.3%; iv) a reduction of EBITDA by 26.6% for all periods.

As regards the “Retail Betting” CGU, the excess of the value in use compared to the carrying amount (including the goodwill attributed to it), equal to €191.7 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 4.03% of sports payout for each year, compared to the assumptions of the budget and other forecasts; (ii) increase of 9.9% of the annual discount rate; (iii) a final nominal growth rate of -8.1%; iv) a reduction in EBITDA by 42.8% for all periods.

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

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

In relation to the “Broadcasting” CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of €8.5 million, becomes nil with 10.3% increase in the discount rate and a reduction of EBITDA by 43%.

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

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

17. INVESTMENTS

	Carrying amount As at 31 December			Percentage held As at 31 December		
	2015	2016	2017	2015	2016	2017
	€'000	€'000	€'000	%	%	%
<i>Affiliates and subsidiaries accounted for under the equity method</i>						
Hippogroup Roma						
Capannelle S.p.A.	1,036	1,038	—	27.78	27.78	—
Alfea S.p.A.	1,454	1,477	1,477	30.70	30.70	30.70
Connex S.r.l. in liquidation	—	—	—	25.00	25.00	25.00
Solar S.A.	—	—	—	30.00	30.00	—
C.G.S Consorzio Gestione						
Servizi in liquidazione	—	—	—	50.00	—	—
Teseo S.r.l. in liquidation	—	—	—	100.00	100.00	—
Total investments accounted for under the equity method	2,490	2,515	1,477			
<i>Other</i>						
Lexorfin S.r.l.	46	46	—	2.44	2.44	—
Hippogroup Roma						
Capannelle S.p.A.	—	—	443	—	—	15.46
Obiettivo 2016 S.r.l.	4	—	—	0.01	—	—
Total other investments accounted for under the equity method	50	46	443			

In relation to the year ended 31 December 2017:

- The shareholders' meeting of Hippogroup Roma Capannelle S.p.A. held on 10 July 2017 resolved the following: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with the subsequent change of the corporate name to “Hippogroup Roma Capannele S.r.l.”. Following the bond conversion, Snaitech owned 15.20% (equal to €262,000) of the share capital of Hippogroup Roma Capannele S.r.l. Thereafter, the undertaking Lexorfin S.r.l. was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech had a shareholding of €275,000 equal to 15.46%. The participation was moved from investments in associates and subsidiaries to other financial participations.

- On 31 July 2017 Snaitech sold the participation in its associate undertaking Solar S.A.
- On 31 July 2017 the shareholders' meeting of Teseo S.r.l., (which is in liquidation) approved the last financial statement as at 31 July 2017 and the distribution plan, which includes the attribution of a VAT receivable for €57,000 to the sole shareholder Snaitech. On 12 October 2017 Teseo S.r.l.(which is in liquidation) was deleted from the company register.

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

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset only when there was a legal enforceable right to set off, according to IAS 12. For greater clarity in terms of disclosure, the total amount of timing differences and tax loss carried forward is presented separately for deferred tax assets and liabilities in the tables below. Similarly, the theoretical amount of deferred tax assets and liabilities, as well as the amounts presented in the consolidated financial statements, are shown separately.

18.1. DEFERRED TAX ASSETS

As at 31 December 2015

	<i>Amount</i>	<i>Rate</i>	<i>Tax effect</i>	<i>Assets recorded</i>	<i>Reversal period</i>
	<i>€'000</i>	<i>%</i>	<i>€'000</i>	<i>€'000</i>	
<i>Temporary differences</i>					
Allowance for doubtful accounts	80,165	24.00-27.50	20,154	19,304	2016 and following
Provision for risks and charges	23,483	24.00-32.62	6,903	6,903	2016 and following
Provision for inventory obsolescence	203	24.00-29.12	57	57	2016 and following
Difference between book value and tax value of property, plant and equipment and intangible assets	9,637	24.00-32.62	509	509	2016 and following
Interest expense not deducted as per art. 96 of Tuir	117,343	24.00	28,162	17,638	2017 and following
Other temporary differences	5,850	24.00-27.50	1,580	1,580	2016 and following
Total	<u>236,681</u>		<u>57,365</u>	<u>45,991</u>	

<i>Total losses carried forward from prior years</i>	<i>Amount €'000</i>	<i>Rate %</i>	<i>Tax effect €'000</i>	<i>Assets recorded €'000</i>	<i>Usable by</i>
Snaitech tax consolidation					
Year 2008	17,895	24.00	4,295	4,295	No expiration
Year 2009	10,200	24.00	2,448	2,448	No expiration
Year 2010	29,060	24.00	6,974	6,974	No expiration
Year 2011	27,186	24.00	6,525	6,525	No expiration
Year 2012	34,422	24.00	8,261	8,261	No expiration
Year 2013	75,454	24.00	18,109	2,989	No expiration
Year 2014	12,587	24.00	3,021	3,021	No expiration
Year 2015	3,874	24.00	930	–	No expiration
Total losses carried forward for Snaitech tax consolidation	210,678		50,563	34,513	
Finscom S.r.l.					
Year 2012	1,467	24.00	352	–	No expiration
Year 2013	796	24.00	191	–	No expiration
Year 2014	1,010	24.00	242	–	No expiration
Year 2015	1,408	24.00	338	–	No expiration
Total losses carried forward for Finscom S.r.l.	4,681		1,123	–	
Cogemat S.p.A. tax consolidation					
Year 2010	45,157	27.50	12,418	–	No expiration
Year 2012	11,354	27.50	3,122	3,122	No expiration
Year 2013	54,776	27.50	15,063	15,063	No expiration
Year 2015	6,060	24.00-27.50	1,470	1,470	No expiration
Total losses carried forward for Cogemat S.p.A. tax consolidation	117,347		32,074	19,656	
Total losses carried forward	332,706		83,760	54,169	
Total deferred tax assets				100,160	

As at 31 December 2016

	<i>Amount</i>	<i>Rate</i>	<i>Tax effect</i>	<i>Assets</i> <i>recorded</i>	<i>Reversal period</i>
	<i>€'000</i>	<i>%</i>	<i>€'000</i>	<i>€'000</i>	
<i>Temporary differences</i>					
Allowance for doubtful accounts	63,640	24.00	15,274	14,413	2017 and following
Provision for risks and charges	29,640	24.00-29.12	8,514	8,514	2017 and following
Provision for inventory obsolescence	200	24.00-29.12	57	57	2017 and following
Difference between book value and tax value of property, plant and equipment and intangible assets	5,325	24.00-29.12	1,412	1,412	2017 and following
Interest expense not deducted as per art. 96 of Tuir	200,699	24.00	48,168	24,183	2017 and following
Other temporary differences	2,097	24.00-29.12	542	542	2017 and following
Total	301,601		73,967	49,121	
	<i>Amount</i>	<i>Rate</i>	<i>Tax effect</i>	<i>Assets</i> <i>recorded</i>	<i>Usable by</i>
	<i>€'000</i>	<i>%</i>	<i>€'000</i>	<i>€'000</i>	
<i>Total losses carried forward from prior years</i>					
Snaitech tax consolidation					
Year 2008	19,767	24.00	4,744	4,744	No expiration
Year 2009	10,200	24.00	2,448	2,448	No expiration
Year 2010	29,060	24.00	6,974	6,974	No expiration
Year 2011	19,370	24.00	4,649	4,649	No expiration
Year 2012	28,915	24.00	6,940	6,940	No expiration
Year 2013	57,931	24.00	13,903	13,903	No expiration
Year 2014	12,587	24.00	3,021	3,021	No expiration
Year 2015	3,869	24.00	929	929	No expiration
Year 2016	8,530	24.00	2,047	2,047	No expiration
Total losses carried forward for Snaitech tax consolidation	190,229		45,655	45,655	
Snaitech					
With limited use	97,311	24.00	23,355	23,355	No expiration
Entirely useable	27,612	24.00	6,627	6,627	No expiration
Total losses carried forward for Snaitech	124,923		29,982	29,982	
SNAI Rete Italia S.r.l.					
With limited use	4,682	24.00	1,124	–	No expiration
Total losses carried forward for SNAI Rete Italia S.r.l.	4,682		1,124	–	
Total losses carried forward	319,834		76,761	75,637	
Total deferred tax assets				124,758	

As at 31 December 2017

<i>Temporary differences</i>	<i>Amount €'000</i>	<i>Rate %</i>	<i>Tax effect €'000</i>	<i>Assets recorded €'000</i>	<i>Reversal period</i>
Allowance for doubtful accounts	56,149	24.00	13,475	12,615	2018 onwards
Provision for risks and charges	13,375	24.00-29.12	3,881	3,881	2018 onwards
Provision for obsolescence of the inventory	240	24.00-29.12	69	69	2018 onwards
Difference between book value and tax value of property, plant and equipment and intangible assets	7,161	24.00-29.12	1,849	1,849	2018 onwards
Interest expense not deducted as per art. 96 Tuir	202,763	24.00	48,663	24,561	2018 onwards
Other temporary differences	2,100	24.00-29.12	545	545	2018 onwards
Total	281,788		68,482	43,520	
<i>Total losses carried forward from prior years</i>	<i>Amount €'000</i>	<i>Rate %</i>	<i>Tax effect €'000</i>	<i>Assets recorded €'000</i>	<i>Reversal period</i>
Snaitech tax consolidation					
Year 2008	19,766	24.00	4,744	4,744	Indefinitely
Year 2009	10,198	24.00	2,448	2,448	Indefinitely
Year 2010	29,018	24.00	6,964	6,964	Indefinitely
Year 2011	19,351	24.00	4,644	4,644	Indefinitely
Year 2012	28,720	24.00	6,893	6,893	Indefinitely
Year 2013	57,931	24.00	13,903	13,903	Indefinitely
Year 2014	11,315	24.00	2,716	2,716	Indefinitely
Year 2015	3,909	24.00	938	938	Indefinitely
Year 2016	8,578	24.00	2,059	2,059	Indefinitely
Year 2017	3,287	24.00	789	789	Indefinitely
Total losses carried forward for Snaitech tax consolidation	192,073		46,098	46,098	
Snaitech*					
With limited use	86,917	24.00	20,860	20,860	Indefinitely
Entirely useable	25,013	24.00	6,003	6,003	Indefinitely
Total losses carried forward for Snaitech	111,930		26,863	26,863	
SNAI Rete Italia S.r.l.**					
With limited use	4,862	24.00	1,124	—	Indefinitely
Total losses carried forward for SNAI Rete Italia S.r.l.	4,862		1,124	—	
Total losses carried forward	308,685		74,085	72,961	
Total deferred tax assets				116,481	

* Loss carried forward transferred to Snaitech following the merger with Cogemat Group in 2016

** Loss carried forward transferred to SNAI Rete Italia S.r.l. following the merger with Finscom in 2016

The deferred tax asset movements during 2017 are:

	<i>At 31 December 2016 €'000</i>	<i>Credited €'000</i>	<i>Amount charged €'000</i>	<i>At 31 December 2017 €'000</i>
Deferred tax assets	124,758	1,709	(9,986)	116,481
of which:				
Provisions for bad or doubtful debts	14,413	10	(1,808)	12,615
Provisions for risks and charges	8,514	–	(4,633)	3,881
Provision for obsolete inventory	57	12	–	69
Book value versus taxable value of fixed and intangible assets	1,412	709	(272)	1,849
Non-deductible interest costs as per art. 96 of Tuir	24,183	378	–	24,561
Other temporary differences	542	67	(64)	545
Loss carried forward	75,637	533	(3,209)	72,961

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

1. The tax laws and their impact on temporary differences and benefits deriving from losses carried forward;
2. Taxable income of each undertaking estimated in the medium-long term and economic/tax impacts. Projections of the Snaitech Group business plan have been used on this purpose.

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

It should be noted that the deferred tax assets arising from loss carry forward of Snaitech Consolidated financial information totalled €46,098,000, while the loss carry forward amount of Snaitech stand-alone, resulting from the merger by incorporation of the undertakings of Cogemat/Cogetech Group, and therefore non recognisable in consolidated financial information, amounted to €26,863,000.

It should be noted that, concerning the non-deductible interest costs as per art. 96 of DPR 917/1986, deferred tax assets have been recognised for a total amount of €24,561,000 (given a maximum tax asset allowed of €48,663,000). In particular, with regards to Snaitech, in 2013 and 2014 deferred tax assets were recognised respectively for €9,658,000 and €2,652,000 (given maximum tax asset allowed respectively of €10,875,000 and €6,230,000). No deferred tax assets were instead recognised in 2015, 2016 and 2017 (given a maximum tax asset allowed of €19,188,000).

Finally, it should be noted that, with reference to the subsidiary SNAI Rete Italia S.r.l., no deferred tax assets related to temporary differences were recognised as a consequence of merger by incorporation of Finscom S.r.l., given a maximum tax asset allowed of €2,104,000. In particular, no deferred tax assets were recognised on: loss carry forward (given a maximum tax asset allowed of €1,124,000); non-deductible interest costs as per art. 96 of DPR 917/1986 (given a maximum tax asset allowed €119,000); provisions for bad or doubtful debts (given a maximum tax asset allowed of €861,000).

18.2. **DEFERRED TAX LIABILITIES**

As at 31 December 2015

<i>Temporary differences</i>	<i>Amount €'000</i>	<i>Rate %</i>	<i>Tax effect €'000</i>	<i>Liabilities recorded €'000</i>
Amortisation of goodwill	(11,435)	24.00-29.12	(3,142)	(3,142)
Amortisation of goodwill on business segments	(147,781)	24.00-29.12	(41,955)	(41,955)
Amortisation, commercial network	(46,564)	27.50-31.40	(13,101)	(13,101)
Difference between the book value and the tax value of property, plant and equipment	(39,986)	24.00-29.12	(11,662)	(11,662)
Other temporary differences	(3,936)	24.00-27.50	(1,077)	(1,077)
Total	<u>(249,702)</u>		<u>(70,937)</u>	<u>(70,937)</u>

As at 31 December 2016

<i>Temporary differences</i>	<i>Amount €'000</i>	<i>Rate %</i>	<i>Tax effect €'000</i>	<i>Liabilities recorded €'000</i>
Amortisation of goodwill	(11,862)	24.00-29.12	(3,265)	(3,265)
Amortisation of goodwill on business segments	(163,622)	24.00-29.12	(46,568)	(46,568)
Amortisation, commercial network	(43,425)	24.00-29.12	(12,115)	(12,115)
Difference between the book value and the tax value of property, plant and equipment	(39,497)	24.00-29.12	(11,484)	(11,484)
Other temporary differences	(148)	24.00	(38)	(38)
Total	<u>(258,554)</u>		<u>(73,470)</u>	<u>(73,470)</u>

As at 31 December 2017

<i>Temporary differences</i>	<i>Amount €'000</i>	<i>Rate %</i>	<i>Tax effect €'000</i>	<i>Liabilities recorded €'000</i>
Amortisation of goodwill	(12,924)	24.00-29.12	(3,390)	(3,390)
Amortisation of goodwill on business segments	(179,669)	24.00-29.12	(51,241)	(51,241)
Amortisation, commercial network	(40,285)	24.00-29.12	(11,240)	(11,240)
Difference between the book value and the tax value of property, plant and equipment	(38,949)	24.00-29.12	(11,332)	(11,332)
Other temporary differences	(111)	24.00	(27)	(27)
Total	<u>(271,308)</u>		<u>(77,230)</u>	<u>(77,230)</u>

The deferred tax liability movements during 2017 are:

	<i>At 31 December 2016 €'000</i>	<i>Amount credited €'000</i>	<i>Amount charged €'000</i>	<i>At 31 December 2017 €'000</i>
Deferred tax liabilities				
of which:	73,470	4,862	(1,102)	77,230
Amortisation of goodwill	3,265	125	–	3,390
Amortisation of goodwill on business segments	46,568	4,673	–	51,241
Amortisation, commercial network	12,115	–	(875)	11,240
Difference between the book value and the tax value of property, plant and equipment	11,484	64	(216)	11,332
Other temporary differences	38	–	(11)	27

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

Depreciation of distribution network equals to €40,285,000 (given a maximum tax liability allowed of €11,240,000) and results from the merger by incorporation into Snaitech of the undertakings of the Cogemat/Cogetech Group. In particular, once accounted for the relevant assets and liabilities of the absorbed undertaking at fair value, a portion of the difference between purchase cost (made up by the share capital increase carried out by Snaitech) and transferred shareholders' equity was allocated, based on fair value, to the distribution network of the Cogemat/Cogetech group.

Difference between book value and taxable value of fixed assets totalled €38,949,000 (given a maximum tax liability allowed of €11,332,000) and relates mainly to the real estate properties (former Trenno) in Milan – San Siro – and Montecatini (€37,080,000, given a maximum tax liability allowed of €10,798,000) as well as land and buildings (former Immobiliare Valcarenga S.r.l.) in Milan (€1,290,000, given a maximum tax liability allowed of €376,000).

19. INVENTORIES

	<i>As at 31 December</i>		
	<i>2015 €'000</i>	<i>2016 €'000</i>	<i>2017 €'000</i>
Raw materials	184	1	–
Semi-finished products	–	–	–
Finished products/goods	457	198	205
Total	641	199	205

The value of inventories is shown net of the provision, which amounts to €240,000 as at 31 December 2017 (€200,000 as at 31 December 2016).

20. TRADE RECEIVABLES

Non-current trade receivables are broken down as follows:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Non-current trade receivables			
From third parties	1,642	1,400	7,028
Bills receivable	522	914	1,594
Total	<u>2,164</u>	<u>2,314</u>	<u>8,622</u>

Current trade receivables are broken down as follows:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Current trade receivables			
From third parties	171,413	168,469	158,501
From foreign third parties	20	497	389
From MIPAAF	4,194	2,799	2,413
From stables, jockeys and bookmakers	837	433	589
From the parent company Global Games S.p.A.	–	4	32
Bills collection	1,206	1,222	2,509
Allowance for doubtful accounts	(72,651)	(58,876)	(51,136)
Total	<u>105,019</u>	<u>114,548</u>	<u>113,297</u>

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

Trade receivables from clients also include the receivables subject to legal action for an amount equal to €39,911,000 at 31 December 2017 (versus €51,941,000 at 31 December 2016).

Receivables from MIPAAF (formerly ASSI now merged into by the Ministry of Agriculture) amounted to €2,413,000 at 31 December 2017 (compared to €2,799,000 at 31 December 2016) and include:

- €892,000 receivables (€1,278,000 as at 31 December 2016) related to subsidies for television broadcasts provided in the second half of 2017, subsidies related to plant for November and December and a subsidy balance for horseraces in 2017;
- €1,521,000 (€1,521,000 as at 31 December 2016) related to the agreement made by Teleippica S.r.l. to broadcast daily domestic and foreign horserace tracks and UNIRE BLU channel to “Ippica nazionale” points of sale and to provide other ancillary services.

The allowance for doubtful accounts 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 Snaitech Group, and also carrying out an assessment on the possible recovering of overdue receivables, and disputed receivables, based on the opinions of the Snaitech Group's lawyers. Taking into account the company-backed guarantees obtained from debtors, the directors believe that this provision is adequate to cover all foreseeable future losses on receivables.

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

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
As at 1 January	53,617	72,651	58,876
Business combination	20,454	–	–
Provisions for the year	11,814	6,891	7,161
Reclassification	(40)	–	–
Utilisation/release of provision	(13,194)	(20,666)	(14,901)
As at 31 December	72,651	58,876	51,136

The analysis of trade receivables overdue but not written down is as follows:

	<i>Overdue but not written down</i>				
	<i>Total</i>	<i>Not yet performing</i>	<i>0-90 days</i>	<i>90-180 days</i>	<i>>180 days</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Total 2015	105,019	75,063	10,545	2,932	16,479
Total 2016	114,548	73,162	17,802	6,491	17,093
Total 2017	113,297	85,542	12,821	1,437	13,497

21. OTHER ASSETS (CURRENT AND NON-CURRENT)

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

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Other non-financial assets			
<i>Tax receivables:</i>			
For tax refund	–	46	46
	–	46	46
<i>Receivables from others</i>			
Guarantee deposits	1,134	1,170	1,026
Other receivables	6	–	401
	1,140	1,170	1,427
Total other non-financial assets	1,140	1,216	1,473

“Other current assets” are composed as follows:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Other current assets			
<i>Tax receivables:</i>			
From Italian Revenue Agency for IRES credit	2,561	2,518	1,865
From Italian Revenue Agency for IRAP credit	1,402	175	536
From Italian Revenue Agency for VAT credit	115	1,578	452
Other	548	1,237	3,621
	<u>4,626</u>	<u>5,508</u>	<u>6,474</u>
<i>Receivables form others</i>			
Gaming machines security deposit	37,228	37,392	35,735
Receivable for the advance payment of the second instalment – Stability Law ADM	182	182	182
Advance payment of concession fee and other receivables from ADM	1,951	2,137	2,184
Escrow deposit	651	–	–
Receivables from ADM for winnings on National Horse Racing	81	34	41
Guarantee deposit for online gaming (skill/bingo)	345	131	124
Receivables for skill games	15	14	100
Receivables from prior grants from granting bodies	327	327	327
Receivables from undue payment of interest and fines on flat-rate gaming tax (PREU)	2,114	2,114	2,114
Receivables from Bluline electronic exchange	226	226	226
Soc. Security Entities	100	209	231
Other receivables	4,562	4,030	3,701
Allowance for doubtful accounts	(1,074)	(2,929)	(3,040)
	<u>46,708</u>	<u>43,867</u>	<u>41,925</u>
<i>Accrued income and prepaid expenses</i>			
Accrued income	89	4	–
Deferred expenses	3,832	3,947	4,566
	<u>3,921</u>	<u>3,951</u>	<u>4,566</u>
Total other current assets	<u>55,255</u>	<u>53,326</u>	<u>52,965</u>

In relation to the year ended 31 December 2017:

- Other tax receivables from the Italian Revenue Agency mainly relate to VAT credits from previous years for €2,118,000 and €123,000 of an R&D tax credit related to the project labelled “Digital Transformation v/s Robotic Process Automation – 2017” (see Note 8).
- “Gaming machines security deposit” of €35,735,000 (versus €37,392,000 as at 31 December 2016) relates to 0.5% on wagers collected from gaming machines (AWPs and VLTs), as described in greater detail in Note 5, “Revenues from sales and services”. In May 2017, Snaitech received a payment of €37,117,000 in relation to the security deposit for 2016.
- “Advance payment of concession fees and other receivables from ADM” equals to €2,184,000 and refers to the fixed part of the concession fee (for Betting and Online) paid in advance to ADM for both semesters of 2017 and net of any amount for the relevant period (See Note 10 for further details).

- “Other receivables” includes the escrow deposit of €413,000, related to the payment made by SNAI Rete Italia S.r.l. in favour of SIS S.r.l. (which is in liquidation), to guarantee any potential liability that might occur, as envisaged by the agreement executed on 18 July 2016. It also includes: receivables from suppliers (€745,000), credit from transfer of business units (€472,000) and credit related to gaming account amounts due but not paid on bank accounts (€979,000).

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

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
As at 1 January	2,118	1,074	2,929
Business combination	212	–	–
Provisions for the year	174	322	386
Reclassification	39	1,708	–
Utilisation/release of provision	(1,470)	(175)	(275)
As at 31 December	1,074	2,929	3,040

“Deferred expenses” at 31 December 2017 include:

- €1,463,000 (compared to €1,183,000 as at 31 December 2016) for advanced payments of guarantee fees and insurance premiums, mainly related to those guarantees provided under the concessions agreements;
- €1,289,000 (compared to €1,649,000 as at 31 December 2016) related to the arrangement fee on the senior revolving facility (see Note 28);
- €1,814,000 (compared to €1,115,000 as of 31 December 2016), primarily related to deferred costs of maintenance, assistance, lease payments and utilities.

22. CURRENT AND NON-CURRENT FINANCIAL ASSETS

Non-current financial assets totalled €3,386,000 at 31 December 2017 (compared to €2,009,000 as at 31 December 2016) and related to AWP deposits for contracts with segment operators.

The current financial assets consist of the following:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Escrow accounts and restricted deposits	19,853	16,785	16,838
Eonia Plus Pioneer fund	1,483	–	–
Dedicated bank current account	95	72	131
Shares in former Societa Fiorentina Corse Cavalli for exchange	1	1	1
Total current financial assets	21,432	16,858	16,970

The escrow accounts and restricted deposits were opened by the Parent Company in order to manage the setoff between the receivables from ADM under the Di Majo award, and the liabilities for wagers, due every 15 days (the so-called “former ASSI fifteen-days payments”). Such restricted bank accounts are unavailable pending the 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.

The dedicated bank current account of IziLove Foundation comprises the amounts exclusively intended for social solidarity projects and charity.

Non-current financial assets, the dedicated bank current account, the escrow accounts and restricted deposits were not included in the Net Financial Position (see Note 39).

23. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are broken down as follows:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Current bank accounts	105,478	79,095	135,859
Postal deposits	772	2,016	1,164
Cash on hand	1,338	1,226	568
Net cash and cash equivalents	107,588	82,337	137,591

The increase in cash and cash equivalents at 31 December 2017 is mainly due to the positive operating performance achieved in 2017 and to changes in working capital (see Note 39 for further details).

24. SHAREHOLDERS' EQUITY

The shareholders' equity is composed of the following items:

Share capital

The share capital of the Parent Company, Snaitech entirely subscribed and fully paid up, amounted to €97,982,245.40 at 31 December 2015, 31 December 2016, and 31 December 2017, comprised of 188,427,395 ordinary shares.

On 28 September 2015, the extraordinary shareholders' meeting resolved on a divisible increase with consideration of Snaitech's share capital, excluding the option right pursuant to Art. 2441, par. four, first sentence, of the Italian Civil Code, for a maximum nominal amount of €37,233,253.20, through the issue of 71,602,410 maximum new ordinary shares of Snaitech. The latter are to be released by the current shareholders of Cogemat S.p.A. through the payment by kind of 100% of the ordinary shares held by them in Cogemat S.p.A. share capital. On 30 September 2015, the above-mentioned transfer deed was signed, which became effective on 19 November 2015, upon fulfilment of the related conditions precedent. On 24 November 2015, the certification of the share capital increase was deposited at the Companies Register in Lucca.

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

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
Number of shares authorised	188,427,395	188,427,395	188,427,395
Number of shares issued and fully paid up	188,427,395	188,427,395	188,427,395
Nominal value per share (in Euro)	0.52	0.52	0.52

All the shares issued are ordinary shares.

The subsidiary SNAI Rete Italia S.r.l. owned 70,624 shares of Snaitech at 31 December 2015, 31 December 2016 and 31 December 2017, for a nominal value of €36,724.

Reserves

Share premium reserve

At 31 December 2017, the share premium account amounts to €56,950,000. It was credited by €102,600,000 (after deducting any ancillary costs net of any tax effect) on 19 November 2015, following the acquisition of the Cogemat group for €140 million. In 2016, it was used for €45,677,000 to reduce a portion of the loss for 2015.

Reserve for the re-measurement of employee termination indemnities TFR (IAS 19)

The reserve for the re-measurement of employee termination indemnities (IAS19) relates the recognition of actuarial gains and losses.

Treasury share reserve

The Treasury share reserve was made up of Snaitech shares owned by the former Finscom S.r.l. (now merged into SNAI Rete Italia S.r.l.) at the date in which Snaitech and SNAI Rete Italia S.r.l. purchased Finscom S.r.l.

Non-controlling interest

Non-controlling interests show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

25. OTHER COMPREHENSIVE INCOME/(LOSS)

Other comprehensive income/(losses) relate to the recognition of fair value of the Eonia Fund that was sold on 10 March 2016 and to the discounting of the employee termination indemnities. The following table shows details of the other comprehensive income:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Derivative instruments for hedging:			
Adjustment to cash flow hedge	2,930	—	—
Tax effect	(806)	—	—
Hedge derivatives	<u>2,124</u>	<u>—</u>	<u>—</u>
Fair value of securities held for trading	<u>(100)</u>	<u>17</u>	<u>—</u>
	<u>2,024</u>	<u>17</u>	<u>—</u>
Re-measuring of defined-benefit plans for employees:			
Actuarial gains/(losses)	(179)	(245)	91
Tax effect	50	67	(22)
	<u>(129)</u>	<u>(178)</u>	<u>69</u>
Other comprehensive income/(loss) for the year	<u>1,895</u>	<u>(161)</u>	<u>69</u>

26. EARNINGS PER SHARE

Basic earnings per share

The amount was calculated as follows:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
Net (loss)/profit for the year (€'000)	(54,231)	(16,954)	27,010
Average weighted number of ordinary shares/1,000	124,051	188,357	188,357
Basic (loss)/earnings per share (€)	(0.44)	(0.09)	0.14

Diluted earnings per share

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

27. EMPLOYEE TERMINATION INDEMNITIES

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
As at 1 January	4,062	8,641	8,089
Business combination	4,209	—	—
Other changes	615	(14)	(30)
Accruals	418	91	119
Utilisation	(757)	(1,040)	(1,422)
Financial expenses	75	165	97
<i>Actuarial loss/(gain)</i>	<i>283</i>	<i>(109)</i>	<i>(90)</i>
<i>Actuarial loss/(gain) from change in fin. assumptions</i>	<i>(264)</i>	<i>355</i>	<i>(1)</i>
Total actuarial loss/(gain)	19	246	(91)
As at 31 December	8,641	8,089	6,762

Employee termination indemnities are considered to be defined-benefit plans and are accounted for in accordance with IAS19 Employee Benefits, applying the projected unit credit method, which consists of estimating the future amount to be paid to each employee at the time of termination of their contract, 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 summarised in the following table:

Summary of economic basis

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
Annual discount rate			
Snaitech and Teleippica S.r.l.	2.03%	1.31%	1.30%
Societa Trenno S.r.l. and SNAI Rete Italia S.r.l.	2.03%	0.86%	0.88%
Annual inflation rate	1.50%-2%	1.50%	1.50%
Rate of increase in post-employment benefits (TFR)	2.625%-3%	2.625%	2.625%
Annual rate of wage increase	1.00%	1.00%	1.00%

Summary of demographic basis

Death	RG48 mortality tables published by the General Accounting Office of the State
Invalidity	INPS tables by age and gender
Pension	100% achievement of requirements of the General Compulsory Insurance (AGO)

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

Company	31 December 2015		31 December 2016		31 December 2017	
	Advances	Turnover	Advances	Turnover	Advances	Turnover
Snaitech	2.50%	4.00%	2.50%	4.00%	2.50%	4.00%
Teleippica S.r.l.	1.00%	9.00%	1.00%	9.00%	1.00%	9.00%
Societa Trenno S.r.l.	2.00%	5.00%	2.00%	5.00%	—	—
Finscom S.r.l.	1.50%	10.00%	—	—	—	—
SNAI Rete Italia S.r.l.	3.50%	8.00%	3.50%	8.00%	3.50%	8.00%
Cogetech	1.50%	7.00%	—	—	—	—
Cogetech Gaming	1.50%	7.00%	—	—	—	—

As regards the discount rate, the iBoxx Eurozone Corporate AA with duration 10+ was taken as a benchmark parameter for measurements related to the Parent Company Snaitech and the subsidiary Teleippica S.r.l.

The iBoxx Eurozone Corporate AA with duration 7-10 was adopted for the other two subsidiaries (Società Trenno S.r.l. and SNAI Rete Italia S.r.l.). The applied duration is consistent with the average duration of the labour agreements being evaluated for each company.

Duration was set equal to the average of employment for each company.

The sensitivity analysis for each actuarial assumption 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	As at 31 December		
	2015 €'000	2016 €'000	2017 €'000
+1% on turnover rate	8,593	8,032	6,711
-1% on turnover rate	8,687	8,155	6,816
+1/4% on inflation rate	8,774	8,216	6,867
-1/4% on inflation rate	8,503	7,966	6,655
+1/4% on discount rate	8,451	7,897	6,597
-1/4% on discount rate	8,829	8,293	6,931

The average financial duration of the bond for defined-benefit plans ranged from 7 to 13 years.

The following table shows expected disbursements related to the plan.

Years	As at 31 December		
	2015 €'000	2016 €'000	2017 €'000
1	901	606	465
2	746	564	512
3	761	591	562
4	823	654	509
5	858	617	489

28. FINANCIAL LIABILITIES

The financial liabilities are comprised of the following:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Non-current financial liabilities			
Bond loans	573,030	557,115	559,385
Bank loans	—	—	696
Due to financial leasing	71	299	163
Total other non-current financial liabilities	<u>573,101</u>	<u>557,414</u>	<u>560,244</u>
Current financial liabilities			
Due to financial leasing	1,295	309	147
Due to interest on bonds	2,166	5,352	5,352
Due to banks	71	141	136
<i>Current portion of long term loans</i>	—	—	479
Due to “Betting Acceptance Points” for the purchase of horse race and sports concessions business units	32	32	32
Total current financial liabilities	<u>3,564</u>	<u>5,834</u>	<u>6,146</u>

The financial liabilities include:

- Bonds issued on 7 November 2016 (described in the following paragraphs) are accounted with the amortised cost method for a total of €559,385,000 (notional value of €570,000,000) net of any direct ancillary costs. Such ancillary costs included the transaction fees and the listing costs in addition to the original issue discount. The amount recognised in the Consolidated Income Statement as of 31 December 2017 was €2,270,000.
- Bank loans in the item “non-current liabilities” and the current portion of long-term loans of €1,175,000 relate to a loan offered by Banca Popolare di Milano originally for €1,450,000.
- Obligations under finance leases, totalling €310,000, mainly relate to technology deployed in point of sales and to the disaster recovery plan, as described in greater detail in Note no. 15 “Property, plant and equipment”.

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

Current bonds embed also early payment options. This type of option may be treated as embedded derivatives and as such, must be presented on a stand-alone basis in the financial statements unless it can be classified as “closely related” to the debt itself. The Parent Company determined the fair value of such options on a stand-alone basis, which had no value as of 31 December 2017.

Finally, on 11 May 2017 Snaitech executed a bank loan agreement offered by Banca Popolare di Milano for a notional amount of €1,450,000 to fund the part of the technological rejuvenation program and automation of the point of sales. The loan has three-year maturity with an annual interest rate of 3 month Euribor (floored at 0%) plus a spread of 1.9% per annum.

A summary of bonds and credit facilities at 31 December 2017 is shown in the following table:

	<i>Notional (€'000)</i>	<i>Issue date</i>	<i>Term (years)</i>	<i>Interest rate</i>	<i>Interest period (months)</i>	<i>Maturity</i>	<i>Redemption</i>	<i>Debt at 31 December 2017 (€'000)</i>
<i>Bonds</i>								
Senior secured notes	320,000	7.11.2016	5	6.375%	6	7.11.2021	Bullet	320,000
Secured floating rate notes	250,000	7.11.2016	5	6% + Euribor (floor 0%)	3	7.11.2021	Bullet	250,000
Senior revolving facility	85,000	26.10.2016		3.5% ⁽¹⁾ + Euribor (floor 0%)	1, 3 or 6	7.8.2021	Each loan must be repaid on the last day of the interest period. During the availability period, the amounts repaid may be reused.	–
Bank loan	1,450	11.05.2017	3	1.9% + Euribor (floor 0%)	1	31.5.2020	Straight-line depreciation	1.175
Total	656,450							571,175

(1) it can be reduced down to 2.75% depending on the value of the Total Net Leverage

29. PROVISIONS FOR RISKS AND CHARGES, PENDING LITIGATIONS AND POTENTIAL LIABILITIES

The Snaitech Group is involved 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, the Snaitech Group considers that those proceedings and actions will not result in material adverse effects upon the consolidated financial information.

All accruals were reviewed and estimated by the board of directors based on information available at the reporting date of the financial information, supported by updated legal advice from independent professionals. The above accruals are considered as overall adequate to cover risks and charged that the Group will have to reasonably face.

	<i>Provisions for Technological renewals €'000</i>	<i>Provisions for tax disputes, litigations, contractual risk and other €'000</i>	<i>Total €'000</i>
Balance at 1 January 2015	686	10,152	10,838
Business combinations	1,684	1,513	3,197
Provisions recognised in the year	562	15,206	15,768
Releases/uses for the year	(686)	(2,018)	(2,704)
Balance at 31 December 2015	2,246	24,853	27,099
Provisions recognised in the year	702	11,576	12,278
Reclassification	(19)	(1,688)	(1,707)
Releases/uses for the year	(632)	(6,867)	(7,499)
Balance at 31 December 2016	2,297	27,874	30,171
Provisions recognised in the year	931	870	1,801
Reclassification	–	(2,940)	(2,940)
Releases/uses for the year	(1,595)	(13,726)	(15,321)
Balance at 31 December 2017	1,633	12,078	13,711

Provisions for technological renewals

The provision for technological renewals includes periodical accruals for the technological upgrading, as provided by the concession convention for the creation and management of the network for the on-line management of legal gaming machines, as envisaged by Article 110, paragraph 6, of the T.U.L.P.S. (Consolidated Text of Public Safety Laws), as per the Presidential Decree no. 773 of 18 June 1931, as amended and supplemented. In 2017, the provision for technological renewal, set in accordance with the concession, was released, under the authorisation of ADM, for €1,595,000.

Provisions for tax disputes, litigations and contractual risks

The provision for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of €12,078,000 at 31 December 2017.

Administrative disputes

(1) Ruling on reporting procedures and accounting-related judgement

a. Regularity of judicial accounts for the years 2004/2009

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

In addition to the Ruling on reporting procedures, in 2012, the Accounting-related Judgement proceeding was initiated to verify the regularity of the accounts submitted by the concession holders, including Snaitech and Cogetech (merged by incorporation on 1 November 2016). The judgement, still pending before the Court of Auditors, concerns the alleged non-endorsement of judicial accounts for the years 2004/2009 (the endorsement is made by the Court of Auditors through the reporting subject, and consists in an audit, both formal and on accounts, of items reported in the statements transmitted to the Administration).

In first instance, the Lazio Court of Auditors' Jurisdictional Section, with the respective decisions stated that the accounts-related judgement was ineffective and its decision was transmitted to the Regional Prosecutor for assessing any possible administrative liabilities.

Snaitech and Cogetech have both appealed the judgements rendered by the Court of Auditors.

The Appeal section of the Court of Auditors, with the respective judgements no. 304/2015 and 373/2015, cancelled the previous objected decisions deeming that the case could not be concluded with an accounting-related judgement indicating the impossibility of bringing further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the Section of Appeal of the Court of Auditors, with appropriate judgement, ordered the Lazio Regional Section to review the audit in order to reach a final decision whether to discharge or not from the accounts the items that were not equivalent (the related amount is unavailable). Upon order of the Section of Appeal of the Court, all documents related to judicial reporting, already returned to ADM, were retransmitted to the Lazio Regional Section.

The appeals being exhausted, the case continued before the Lazio Regional Section of the Court. The case is awaiting the judicial proceeding acts from the Public Prosecutor.

For this reason, the risk of a negative outcome, already deemed as remote by the respective concession holders' legal advisers, can be described as clearly remote, at the moment. In keeping with that conclusion, the Directors have recognised a provision only for the estimated legal costs of the technical defence.

b. Judgement on merit of judicial accounts for the years 2013/2014

ADM notified Snaitech on 12 July 2017 with the communication issued by the chairmen of the Court of Auditors – Lazio jurisdiction – which set the hearing on the competent section to assess the judicial accounts for the years 2013/2014 of the Parent Company, following the disagreement between the Tuscany and Lazio jurisdictions.

The Parent Company attended the hearing and required to postpone it since it was notified on 12 July 2017. The Court scheduled the new hearing on 16 November 2017 when the decision was upheld.

On 31 December 2017 the Court of Auditors recognised the competence of the Tuscany jurisdiction and notified the court order on 14 February 2018.

(2) Proceedings to withdraw no. 27 betting licenses

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

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

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

(3) Disputes related to the betting business: Guaranteed minimum amount/services.

It should be noted that Snaitech, Cogetech S.p.A. and Cogetech Gaming s.r.l. (merged by incorporation into Snaitech) have received from ADM several notices for reduced activities by some horse racing and sports concession holders in the period 2007-2013. In particular, the amounts required, in order to supplement the annual minimum guaranteed, amounted to €25,529 thousand to Snaitech, €59 thousand to former Cogetech S.p.A. and €2,988 thousand to former Cogetech Gaming s.r.l.

The Companies, through their consultants, have promptly challenged the acts received annually and have obtained their suspension.

Through judgement no. 1054, filed on 30 January 2013, the Lazio Court's second section accepted the Companies' arguments concerning alleged breach of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered to uphold the judgement, and passed the matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012, for lack of standing in the lawsuit.

For the entire duration of the proceedings before the Constitutional Court, the suspension of the proceedings continued to stand, to the benefit of Snaitech, preventing ADM from enforcing the objected requests.

With judgement no. 275 of 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, Snaitech was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, for a total amount of €3,328,018.72. As for previous notices, Snaitech objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.

With judgements no. 7323/14 and no. 7324/14 of 10 July 2014 and no. 8144/14 of 24 July 2014 – featuring the same content – the competent Court, while acknowledging the unconstitutionality of Art. 10, paragraph 5, letter b) of the Law Decree no. 16/2012, cancelled the payment orders of the guaranteed minimum amounts related to years 2006-2012, which calculated an unreasonable “fair discount” of only 5%.

ADM filed no appeal. At the same time the Parent Company challenged the minimum guarantee requests claimed for 2012 and related to the former undertaking Cogetech Gaming S.r.l., which were notified on 14 June 2013 (totalling 300 thousand). As of today, the hearing has to be scheduled yet.

On 5 December 2017, with the aim to interrupt any limitation period, ADM issued an order to claim a payment of €3,187,590.13 for the period 2006-2013 (related to the former Cogetech Gaming S.r.l. concessions). The Parent Company promptly replied back by stating the illegitimacy of the claim.

The Group, supported by the opinion of its legal advisor, deems remote the risk of negative outcome for the Parent Company.

(4) *2015 Stability Law*

The 2015 Stability Law included the obligation of the Snaitech Group to pay, on a proportional basis, the Stability Tax, the proportional share of which was quantified by the directorial execution order implementing the Stability law 2015 issued by ADM (the “**ADM decree**”). Pursuant to the 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWP are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWP under concession license, regardless of the fact that these machines are managed directly by the concession holder.

Pursuant to the ADM Decree, the amount of the Stability Tax due by the former SNAI Group for 2015 was determined, on a pro-rata basis, for an amount of €37.8 million to be paid in two instalments: 40% of the total by 30 April 2015 and the remaining 60% by 31 October 2015, whereas for the former Cogetech €47.04 million is also to be paid according to the above described methods applicable to Snai. Pursuant to the requirements set out by the 2015 Stability Law and the ADM Decree, (i) both companies have required their partners to pay their share of the Stability Tax proportionally to the number of VLTs and AWP managed upon concession licenses and (ii) have tried to renegotiate the terms and conditions of the agreements that govern its trade relations in order to include some of the technical changes set forth by the 2015 Stability Law.

In February 2015 (jointly with the other concession holders of VLTs and AWP) both companies appealed against the ADM Decree before the Lazio Regional Administrative Court with a concurrent request for suspension and referral to the judgement of the Constitutional Court.

With separate Court Orders, dated 22 October 2015, the precautionary motions were rejected and the judgement on the case was upheld.

Both rejection orders were appealed with the State Council which, on its part, rejected the proposed precautionary motions.

With separate court order dated 16 December 2015, the Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 1, par. 649 of Law no. 190/2014., with respect to Art. 3 and 41, par. 1 of the Constitution, while accepting the defence objections that highlighted the lack of proportion and reasonableness of the reduction in remunerations, thought to guarantee the Inland Tax Office a fixed amount from profits made by the segment of legal gaming through gaming machines, regardless of the actual performance of wagers. Both companies appeared and filed their defence deeds.

The public hearing, after several postponements, is scheduled on May 8, 2018. In the meantime any judgement rendered by the Lazio Regional Administrative Court are suspended.

The related risk of a possible negative outcome can be deemed as possible, with a possible confirmation of the structure set out by the regulation in force.

The 2016 Stability Law provided further clarity on the reduction of payment of €500 million introduced by the 2015 Stability Law and its redistribution between all the interested stakeholders of the value-chain. In particular, the distribution should have been proportional to the revenues of each stakeholder for the relevant period in 2015. Such interpretation set the independence of debts of each stakeholder.

Based on several opinions issued by advisors, the Parent Company deems not to be liable for those amounts unpaid by the different stakeholders of the value-chain. The Parent Company has therefore paid its own contribution and those amounts received by the stakeholders.

The Parent Company has therefore notified ADM those operators with missing payments.

As at 31 December 2017 the amounts missing from its own value-chain and due to ADM total €28,181 thousand (please refer to note 20 “Trade receivables”).

(5) *2015 Stability Law: Snaitech – other party – vs. A.G.C.A.I. and others*

With 6 separate claims, the A.G.C.A.I. association, – representative of the AWP concession holders – has summoned before the Lazio Regional Administrative Court and the President of the Republic, both Snai and former Cogetech (Now Snaitech).

The plaintiffs claim that notes should be declared null and void, while suspending their enforceability pending the final decision. With the aforesaid notes, Concession holders of the on-line network of gaming machines with winnings in money ordered the Operators of AWP gaming machines to pay the related contribution to the additional charge, introduced by Art. 1, par. 649, Law no. 190/2014 for the reduction of the fees of the gaming machine industry.

The competent authority rendered a judgement declaring the appeals to be late and non-admissible for contested jurisdiction.

The judgements are now res. For the motions notified subsequently, the scheduling of the hearings is pending.

(6) *2011 quotes – Head office – Shared premises*

With notice dated 21 June 2012, ADM required the concession holders to pay, on a prorata basis according to the number of gaming machines that they were formally managing, the amount of €300 for the machines that, at completion of the survey (related to the period from January to August 2011), were exceeding in number with respect to the law on applicable quotas. ADM has quantified and informed Cogetech about the total amount to pay, i.e. approximately €2 million, whereas former SNAI must pay approximately €1,835 million.

After the access to records and out of Court correspondence with the Administration, the latter expressed its requests once again with notice dated 5 August 2013. The above-mentioned deed was challenged by both companies before the Lazio Regional Administrative Court and we are awaiting the dates to be set for the hearing.

The risk of an unfavourable outcome can be deemed as merely possible, taking account of the investigation performed by ADM and the novelty of the issue.

(7) *2011 quotes – Regional offices – Excess of gaming machines installed*

It is worth noting that further investigation was carried out by the ADM concerning any breach of the law on quotas after August 2011 and that with the ADM notice of 11 July 2014, the Lombardy Local

Directory required the payment, by Cogetech, of €273,000 for the non-payment of the amount as provided for by Art. 1, par. 81, lett. d) of Law 220/2010, always in relation to the period from January to August 2011. Against the above ADM judgement, an appeal was filed, pending scheduling of the hearing.

Several ADM regional offices notified additional 171 notices arguing that the number of gaming machines installed was above the threshold set forth by the Decree 2011/30011/giochi/US. Snaitech, after the assessment of each notice, decided either to pay lower penalty or appealing ADM (some have been accepted or still pending decision).

The risk of an unfavourable outcome can be deemed as possible.

(8) *Lodo di Majo (Di Majo award)*

- (a) At the end of the 1990's, a dispute arose between various betting acceptance points and the Finance and Agriculture Ministries, regarding supposed delays and breaches by those Ministries.

The matter was first concluded in 2003, with the "Di Majo Award", in 2003, under which an Arbitration Panel, chaired by Prof Di Majo, and called to resolve the dispute, found that the Ministries were liable and ordered them to compensate the concession holders.

The compensation awarded to Snaitech by 30 June 2006, would be on the order of €2,498 thousand.

The compensation for the following years has not yet been determined in its entirety.

The defeated Ministries filed an appeal against that decision before the Rome Court of Appeal.

In addition to those legal events, on 22 June 2010 AssoSNAI (Association of the category of concessionaires) sent ADM a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to ADM (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal.

ADM addressed a formal legal query to the State Attorney General regarding the memoranda sent by AssoSNAI and informed AssoSNAI that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.

To date, the settlement agreement has not yet been signed.

In 2011 ADM issued a decree, which authorised the Parent Company to offset the accounts receivable from the Di Majo Award with the amount already due. The Parent Company offset €2,498 thousand regarding the receivables directly attributable to Snaitech as concession holder.

Based on the aforementioned ADM decree, some subjects who are no longer concession holders, assigned their receivables resulting from the Di Majo Award to SNAI which provided for the offsetting of the entire amount of receivables acquired, in the amount of €19,065 thousand. The consideration paid for these receivables has been temporarily put into escrow accounts awaiting the pronouncement of the Court of Appeal of Rome, or, in any case of the final decision.

The Court of Appeal in Rome declared that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence. Snaitech appealed to the Supreme Court (Cassazione) and the judgement is still pending waiting for the date of hearing to be set. In the event that the Supreme Court should ratify the verdict of the Court of Appeal, Snaitech, without any settlement agreement, should correspond

ADM with the amount already offset (€21,563 thousand). Under such circumstances, the Parent Company may retaliate on the seller of the receivable (Refer to Note 22).

- (b) Once the verdict of the Court of Appeal was declared void and null, ADM claimed the payment of €3,702 thousand, being such amount already offset with the receivable arising from Lodo Di Majo. The Parent Company filed a motion to request either the dismissal or the interruption of the procedure.

(9) *Allegations issued by ADM regional offices*

Regional offices of ADM issued 60 allegations, which reported a different reading of the AWP's meters (now seized) compared to the reading used by the concessioner to calculate the payment for each machine. The overall amount requested, as PREU and penalties, totals approximately €1,200 thousand plus interest.

The Parent Company appealed with the relevant Tax Commission against the allegations to obtain: i) cancellation order, ii) rejection of the appeal contested by ADM, iii) acceptance of the appeal by ADM. To date, there are still proceedings pending before the Tax Commission and Supreme Council.

According to legal advisors, the risk of an unfavourable outcome can be deemed as possible whenever judgements in the first and second instance and Cassation are pending.

(10) *Late payment of weekly balance of horseracing Bersani concessions*

ADM has requested Cogetech S.p.A. and Cogetech Gaming S.r.l. (now Snaitech) a total amount, including interests and fines, of €444 thousand related to late payment of weekly balance under horseracing Bersani concessions. The Parent Company filed an appeal to cancel/recall the request and at the same time filed appeal to the Regional Court.

According to legal advisors the risk of unfavourable outcome is possible although amount is limited.

After 31 December 2017 ADM claimed again the amounts related to late payments. The Parent Company filed its statement of deference.

Civil lawsuits

(1) *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 Parent 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 €500,000.

As a result of that episode – and also following the ADM order to block the system – Snaitech immediately blocked access to the Barcrest System in order to perform the necessary verifications and inspections. Since the aforementioned date, the Barcrest System has not been put back into operation. From the controls carried out, including controls by independent computer experts, it emerged that no Jackpot win was generated by the Barcrest System during the course of the entire day of 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.

To this purpose, it should be noted that, following the event, no. 100 proceedings were initiated (including mediation procedures) of which, at 31 December 2017, more than 60% were concluded with favourable judgements (some of them *res judicata*), that have recognised the non-existence of the Jackpot win of the day 16 April 2012, with a settlement, because of inactivity of the players who have

not appealed the judgement or have not resubmitted the judgement before the jurisdictionally competent judge. To date, 33 proceedings were pending.

In addition to the above, it should be noted that, subsequent to 31 December 2017 and until the date of these Notes to the Financial Statements, 5 additional proceedings were concluded either with settlement agreements or with positive judgements for Snaitech or with the cancellation of the proceedings, owing to delay of the counterparty.

In all of the above proceedings, Snaitech has appeared before the Court to challenge the claims for payment based on arguments of fact and law, since, as has already been communicated to the market and to the relevant Regulatory Authority, no “jackpot” was validly obtained at any time during the day of 16 April 2012. In light of the legal advice received and the favourable judgements – also on the merits – issued by the Court, in general the risk of the Snaitech Group losing the cases entered by players can be deemed as no longer possible.

(2) *Civil claim filed against Snaitech by Prestige Potenza S.r.l.s. and Prestige Barbera S.r.l.s.*

They refer to two civil claims filed by Prestige Potenza and Prestige Barbera against Cogetech Gaming (now Snaitech) in order to have ensured, declared and sentenced: i) the breach by Snaitech regarding the individual transfers of business units; ii) the cancellation of such transfers due to the actions and default of Snaitech; iii) payment of damage compensation totalling approximately €30 million.

The Parent Company duly appeared before the Court for both claims, submitted a cross-claim and asked for the intervention of a third party.

Both judgements ended with judgement no. 895/2017 of 25 January 2017 and judgement no. 7697/2017 of 7 July 2017 with which the Court of Milan accepted the defence of Snaitech, rejecting the request to reimburse damages and rejecting also the counter-claim by Snaitech, since erroneously considering the Parent Company in breach, and consequently, ordering it to pay all legal fees.

The Parent Company has challenged – at different times – both judgements as well as the counterparties filed an appeal.

After 31 December 2017, following the hearings on both judgements, the court decided to merge both hearings into a single one and postponed it on 6 June 2018.

According to legal advisors, the risk of unfavourable outcome is deemed to be possible.

(3) *Ainvest Private Equity S.r.l./Snaitech*

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

The lawsuit proceeded and after the appointment of an expert by the Court (for the translation of the documents produced by the counterparty), the excussion of the texts, the Court rescheduled the hearing initially on 6 December 2017 and subsequently on 7 February 2018.

After 31 December 2017 and precisely at the hearing held on 7 February 2018 the Court rejected Ainvest claim and ordered to reimburse the expenses.

(4) *FILEFLOW s.a.s. of Testa Tatiana*

Civil lawsuit started by Fileflow s.a.s. against Snaitech before the Court of Lucca in order to obtain compensation for damage, quantified in €620 thousand, due to the default of Snaitech as regards the requested transfer of the sports game premise managed by the plaintiff company. The lawsuit was reviewed and adjourned to be presented at the hearing of 26 January 2018.

After 31 December 2017 and precisely at the hearing held on 26 January 2018 the judgement was upheld. The assessment of a risk with unfavourable outcome is deemed, to date, possible.

(5) *2015 Stability Law: Acilia Games S.r.l. and other operators*

With writ of summons notified pursuant to Law no. 53 of 1994, on 17 December 2015, Acilia Games S.r.l. (together with other 435 operators of the legal gaming segment) sued Snai and Cogetech (together with other concession holders of legal gaming) with the following conclusions:

- (a) assessing that managers are not bound to pay the share of remuneration as per the 2015 Stability Law to the extent indicated by the concession holders;
- (b) assessing that the concession holders carried out illegal actions resulting from anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependence and/or abuse of right. To this purpose, stopping the concession holders to perform such actions under penalty of payment of €10 thousand for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure;
- (c) assessing that the renegotiation proposals from concession holders are unilateral and are against the general duty of good faith;
- (d) to complete item (c), assessing that agreements between the parties are valid and effective as they were in force on the effective date of the Stability Law;
- (e) assessing that concession holders are bound to renegotiate in good faith the agreements, and order them to do so without imposing unilateral terms and conditions. To this effect, the concession holders should be ordered to pay the amount of €10 thousand for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Proceedings.

Both companies appeared in Court for the first hearing, which was rescheduled on 27 March 2018.

In the opinion of the legal advisers, given the fact that the plaintiff's claims are groundless, and have already been rejected during the appeal filed by the same as per Art. 700 of the Italian Code of Civil Procedure, the risk of an unfavourable outcome is remote.

(6) *2015 Stability Law: R.A. Elettronica (PoS owners)*

These are proceedings that started in July 2016 against SNAI and Cogetech and therefore still pending before the Courts of Lucca and Milan, by the company R.A. Elettronica in order to obtain:

- i. The assessment and declaration that all the amounts requested by the above companies are not due;
- ii. The assessment and the declaration of the absence of any breach by R.A. Elettronica of its contract obligations and regulations in force and, in particular, to provisions set forth in Art. 1, par. 649 of Law no. 190/2014 and Art. 1, par. 920 and 921 of Law no. 208/2015;
- iii. Sentencing the appearing companies to repay any amount unduly received or to be received as reduction of premiums and remunerations, pursuant to articles 649, Law 190/2014 and 1, par. 920 and 921 of Law no. 208/2015, in addition to interest and revaluation.

At the first hearing, where the companies insisted on the acceptance of the exception for lack of jurisdiction, and, secondarily, the issuing of an order, ex article 186 of the Civil Code, to R.A. Elettronica:

- a) The Judge of the Court of Lucca who has requested information also concerning the current situation of the Regional Administrative Court judgements and about the judgement by the Constitutional Court, also keeping into account that the hearing before the latter has not been

scheduled yet, has adjourned the case for the clarification of the conclusions to a hearing scheduled for 16 March 2018.

- b) The Judge of Milan has instead deemed unnecessary to adopt any measure about which it would have no jurisdiction, given that the question of constitutional legitimacy of the legislative and regulatory provisions of which the claimant asks for the non-application, has already been submitted to the Constitutional Court. The Judge has decided that:
 - i) The amount requested, based on the above, is due by SNAI S.p.A. also in consideration of the fact that the same is not subject to the objections other than those filed by the claimant, versus the one already stated as regards the unconstitutionality of the reference regulations;
 - ii) Judged the requested injunction although believing appropriate not to make it provisionally enforceable pending the judgement of the Constitutional Court;
 - iii) Rescheduled the hearing on 4 July 2018.

According to the advisor, the risk of an unfavourable outcome is possible.

(7) *ZENIT 2012 S.r.l.*

With a writ of summons, the company ZENIT requested Snaitech and Intralot Gaming Machine to appear before the Court of Florence, stating an alleged breach, by the defendant companies, of the obligations arising from the current concession agreement and requesting the issuing of a court order for a joint payment of approximately €823,000.

Snaitech shall appear in compliance with the law, pleading the lack of grounds in fact and in law of the opposing claims.

At the hearing of 20 September 2017 the Court has rescheduled the hearing on 16 May 2018 allowing each party to file summons according to art. 183, par. 6 c.p.c.

According to the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

(8) *Cecca Celestina*

This civil lawsuit was started pursuant to article 702-bis of the Code of Civil Proceedings by Cecca Celestina, before the Court of Lucca, requesting the assessment of a breach, committed by Snaitech, of the restrictions set forth in a competition agreement (in terms of the distance among gaming points) executed jointly with an agreement on the provision of connectivity, and the consequent sentencing to the payment of €360 thousand as the penalty set forth in the case of a breach of the agreement. Snai appeared in court stating to have complied with the distances requirements set out in the agreement. The Court ordered the appointment of an expert and the hearing was adjourned to 9 June 2017, when the expert was appointed. The hearing initially rescheduled on 17 November 2017 was then subsequently rescheduled on 20 March 2018.

The assessment of risk of an unfavourable outcome, currently, i.e. not having available reliable data on the distances among the game premises, is possible.

(9) *Agenzia ippica di Benito Monti e C. S.n.C. under bankruptcy proceedings*

With an appeal pursuant to ex article 702 bis of the Code of Civil Proceedings, the Parent Company requested Benito Montu & C Snc, under bankruptcy proceedings, to ascertain its right about the restitution of €399 thousand plus interests (such amount was assigned to Snaitech following garnishment of assets by third parties to SNAI Servizi). Snaitech appeared before the Court within the required term challenging the adverse claims. At the first instance of the hearing on 23 March 2017, based on the ever-changing case law, the Judge invited the parties to settle out of court with a payment by Snaitech of €80 thousand adjourning to the hearing of 29 May 2017 for the attempt of

reconciliation pursuant to ex article 185 of the Code of Civil Proceedings. The Parent Company accepted the proposal of the Judge and has requested the adviser to proceed with the settlement. On the hearing held on 29 May, the defence obtained the rescheduling on 10 July 2017 in order to assess the settlement agreement proposed by the court for an amount not lower than €100 thousand. Following the signing of a settlement agreement, on 21 December 2017 the Parent Company paid the amount set by the Judge.

Employment lawsuit

To date, there are three pending appeals, pursuant to art. 414 c.p.c., served by Snaitech former advisors, who claimed the recognition of employment relationship and the damages suffered as well as any salary integration due (including holidays and employment termination indemnities). Additionally, there is still a pending appeal, pursuant to art. 414 c.p.c, served by a former Snaitech advisor, who claimed: (i) the recognition of employment relationship; (ii) the termination of the agreement and the subsequent reinstatement of the employee; (iii) the damages suffered as well as any salary integration due (including holidays and employment termination indemnities). The next hearings are scheduled on 21 March 2019 for two appeals and on 14 May 2018 for another appeal.

After 31 December 2017 the Parent Company opposed the three aforementioned appeals served by the former Snaitech advisors and claimed the groundless requests and the rejection of the appeals. Following the hearings of 22 and 27 February 2018, the court accepted the arguments of the Parent Company and declared the appeals to be inadmissible, owing to late filing.

After 31 December 2017 the Parent Company was served with an appeal, pursuant to art. 414 c.p.c., served by a former employee who claimed the collective redundancy implemented by the Parent Company to be void and null. The Parent Company regularly appeared in court to state the groundless requests and ask for the appeal rejection. At the first hearing held on 8 March 2018 the court, proposed a reconciliation procedure and postponed the hearing on 4 April 2018, when the availability of both parties to transact would be assessed.

30. OTHER CURRENT AND NON-CURRENT LIABILITIES

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

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Sundry payables and other non-current liabilities			
<i>Tax payables</i>			
Instalments of flat-rate tax	317	139	–
Liabilities from tax assessment report	–	–	1,693
Tax authorities – 770 notice	512	367	–
	<u>829</u>	<u>506</u>	<u>1,693</u>
<i>Due to social security institutions</i>			
To INPS instalments	455	339	–
	<u>455</u>	<u>339</u>	<u>–</u>
<i>Other liabilities</i>			
For instalments related to PREU for previous years	1,114	371	–
For security deposit liabilities	3,820	3,075	2,330
Due to others	46	–	–
	<u>4,980</u>	<u>3,446</u>	<u>2,330</u>
Total sundry payables and other non-current liabilities	<u>6,264</u>	<u>4,291</u>	<u>4,023</u>

Other current liabilities are composed as follows:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Other current liabilities			
<i>Tax payables</i>			
Income taxes	41	—	—
VAT	1,574	1,250	713
Single tax	5,092	3,621	7,554
Instalments on single tax	140	144	147
Instalments on tax assessment notice	67	—	753
Tax authorities – 770 notice	149	177	—
Other tax liabilities	2,044	1,625	1,223
	<u>9,107</u>	<u>6,817</u>	<u>10,390</u>
<i>Due to social security institutions</i>			
Social security institutions	3,343	4,214	3,742
Social security institutions – instalments	93	77	104
	<u>3,436</u>	<u>4,291</u>	<u>3,846</u>
<i>Other liabilities</i>			
Due to ADM for PREU balances due	46,362	49,161	53,779
Due to ADM for security deposits ADI	6,882	6,495	6,319
For instalments related to PREU for previous years	782	791	394
Due to winners and VLT jackpot reserve	13,717	14,649	13,349
Due to ADM as concession fees	3,974	3,915	3,792
Due to gamblers for antepost betting	1,404	2,474	2,688
Due to gamblers for wins and refunds on national horse racing/sports forecast betting	1,844	3,626	2,135
Due to ADM for outstanding horse races	904	902	825
Due to ADM for required tickets	579	551	593
Due to ADM for sports forecast and national horse racing betting concession	1,339	1,076	1,088
For SNAI card gaming bards	6,973	7,631	8,835
Due to acquisition of business units	—	—	1,230
Due to players for wins in virtual events	439	215	279
Due to ADM	22,052	21,767	21,628
Due to employees and collaborators	5,105	6,751	7,069
Due to directors	376	200	248
Due to auditors	208	204	138
For security deposits	10,504	10,330	10,369
Due to SIS	6,457	—	—
Due to Teseo S.r.l. in liquidation	383	383	—
Due to parent companies	—	4	—
Due to others	5,217	7,261	8,613
	<u>135,501</u>	<u>138,386</u>	<u>143,371</u>
<i>Accrued liabilities and deferred income</i>			
Accrued liabilities	1,202	915	727
Deferred income	794	747	702
	<u>1,996</u>	<u>1,662</u>	<u>1,429</u>
Total other current liabilities	<u>150,040</u>	<u>151,156</u>	<u>159,036</u>

In relation to the year ended 31 December 2017:

- Liabilities arising from the tax assessment report totalled €2,446,000 (this was already included in the provision for risks and charges for 2016), of which €1,693,000 is due after one year and €753,000 is due within one year. These liabilities all related to amounts assessed in 2011, 2012 and 2013. On 7 April 2017, the settlement agreements for the years 2011-12-13 were executed for a total amount of €3,008,000, including interest and without penalties due to objective vagueness of the law. The related amount was deferred into 16 quarterly instalments as allowed by the tax law.
- Liabilities related to the deferred single (flat-rate) tax amounts to €147,000 and comprise residual fines and interest associated with the late payment of the flat-rate tax for the fiscal periods 2009 and 2010.

The debt related to the 770 notice issued from tax authority was repaid in November 2017. Such liability was related to tax assessments performed by the tax authority on tax returns filed (through the 770 form) for the tax periods 2011, 2012 and 2013. The above assessment highlighted the non-payment of withholding and additional taxes.

- Liabilities due to social security institutions amount to €104,000 and relate to preferential amounts. The scheduled payments shall be concluded in 2018.
- Debt to ADM related to balance on PREU for a total amount of €53,779,000 and is determined on volumes recorded with gaming machines.
- Other liabilities due to ADM, totalling €21,628,000, relate to certain payments, initially offset with credits (acquired or original) arising from the Di Majo award. On 21 November 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations were cancelled for €21,581,000. When ADM requires the payment, Snaitech will be entitled to dispose of the amounts on the escrow accounts jointly with Agisco. For further details, see Note 22.
- Deferral of PREU from prior years amounts to €394,000 and relates to interest and fines associated with the late payment of PREU for 2010.
- Liabilities arising from purchasing business units amount to €1,230,000 and relate to the acquisition of three business units (for further information see Note 4 “Business combination”).
- Accrued expenses of €727,000 include additional monthly salaries and related social security payments.
- Deferred income totals €702,000, of which €655,000 related to payment due to MIPAAF (former ASSI) investment fund.

31. TRADE PAYABLES

The trade payables are composed as follows:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Trade payables			
To suppliers	40,842	32,799	37,878
To foreign suppliers	1,784	1,952	1,812
Credit notes to be recorded	(411)	(475)	(535)
Total trade payables	<u>42,215</u>	<u>34,276</u>	<u>39,155</u>

32. OVERDUE PAYABLES

As required by CONSOB's notice ref 10084105 of 13 October 2010, the following tables sets forth the Snaitech Group's payables, grouped by type, with a specific indication of the amounts overdue:

	<i>Balance</i>		<i>As at 31 December</i>		<i>Balance</i>	
			<i>Balance</i>	<i>Due</i>		
	<i>2015</i>	<i>Due</i>	<i>2016</i>	<i>2016</i>	<i>2017</i>	<i>Due</i>
	€'000	€'000	€'000	€'000	€'000	€'000
Current liabilities						
Financial liabilities	3,564	–	5,834	–	6,146	–
Trade payables	42,365	9,119	34,330	9,096	39,155	9,492
Tax payables	12,124	–	6,817	–	10,390	–
Due to social security institutions	3,436	–	4,291	–	3,846	–
Other liabilities	166,130	–	138,332	–	143,371	–
	<u>227,619</u>	<u>9,119</u>	<u>189,604</u>	<u>9,096</u>	<u>202,908</u>	<u>9,492</u>

As at 31 December 2017 the amounts overdue are €9,492,000 and relate to trade payables to suppliers of products and services; such amounts were mainly repaid after 31 December 2017. In certain cases, new payment dates were agreed.

33. GUARANTEES

In addition to what is stated regarding financial liabilities (note 28), the Snaitech Group has undergone financial commitments related to the granting of guarantees relating to:

<i>Bank</i>	<i>Beneficiary</i>	<i>Company</i>	<i>Subject matter of the guarantee</i>	<i>As at 31 December</i>		
				<i>2015</i>	<i>2016</i>	<i>2017</i>
				<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech	To guarantee the opening of shops and sports betting points and activation of on-line sports gaming for the 2006 tender concessions (Bersani Sport)	36,182	35,688	35,688
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech)	To guarantee the timely and exact payment of PREU and security deposits	34,668	34,668	24,668
AXA ASSICURAZIONI SPA	ADM (Customs and Monopoly Agency))	Snaitech	Timely payment of PREU, concession fees and security deposit	–	–	10,000
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech	To guarantee the timely and exact payment of PREU and security deposits	23,042	25,911	41,085
UNICREDIT	ADM (Customs and Monopoly Agency))	Snaitech	To guarantee the opening of horse racing gaming stores and points and the activation of remote horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedures (Bersani Ippica)	16,835	16,818	16,818
UNICREDIT	ADM (Customs and Monopoly Agency))	Snaitech	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 (Monti)	15,120	14,810	–
ALPHA INSURANCE A/S	ADM (Customs and Monopoly Agency)	Snaitech	Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti)	–	–	14,023
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech	Horsereading bets acceptance tender (Giorgietti).	11,463	11,391	11,391

<i>Bank</i>	<i>Beneficiary</i>	<i>Company</i>	<i>Subject matter of the guarantee</i>	<i>As at 31 December</i>		
				<i>2015</i> €'000	<i>2016</i> €'000	<i>2017</i> €'000
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech	To guarantee the proper performance, payment of amounts, and issuance of authorisations for the instalment of VLT, AWP devices	6,000	6,000	–
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech	To guarantee the proper performance, payment of amounts, and issuance of authorisations for the instalment of VLT, AWP devices	6,000	6,000	6,000
UNICREDIT	Ministry of agriculture	Snaitech	The guarantee the supply of broadcasting elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5,387	5,387	–
BANCO BPM	Ministry of agriculture	Snaitech	Broadcasting of audio/video from Italian and foreign horseracing tracks	–	–	5,387
AM TRUST €PE	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech Gaming)	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players (Monti)	4,701	4,701	4,701
BANCO BPM	ADM (Customs and Monopoly Agency)	Snaitech	To guarantee securing the concession for the acceptance of horse race bets (Giorgetti)	–	4,262	4,262
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech Gaming)	To guarantee the opening of shops and sports betting points and activation of online sports gaming for the 2006 tender concessions (Bersani Sport)	4,184	4,184	4,184
BANCO CAMBIANO	ADM (Customs and Monopoly Agency)	Snaitech	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 (Monti)	3,029	3,029	3,029
BANCO BPM	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech)	To guarantee the timely and exact payment of sPREU and security deposits	525	2,619	2,619

<i>Bank</i>	<i>Beneficiary</i>	<i>Company</i>	<i>Subject matter of the guarantee</i>	<i>As at 31 December</i>		
				<i>2015</i> €'000	<i>2016</i> €'000	<i>2017</i> €'000
BANCO BPM	Ministry of agriculture	Snaitech	To guarantee the grant of horse races in Milano Galoppo racetrack	–	2,464	2,464
CREDITO VALTELLINES	ADM (Customs and Monopoly Agency)	Snaitech	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 (Monti)	1,960	1,960	1,960
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech	To guarantee the online gaming concession	1,725	1,805	1,805
BANCO BPM	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech Gaming)	To guarantee securing the concession for the acceptance of horse race bets (Giorgetti)	1,738	1,738	1,738
UNICREDIT	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech Gaming)	To guarantee the opening of horse racing gaming stores and points and the activation of remote horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedure (Bersani Ippica)	1,646	1,653	1,653
BANCO BPM	Mediocredito	Snaitech	To guarantee TIM's phone top-ups	–	1,500	1,500
BANCO BPM	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech)	To guarantee the opening of shops and sports betting points and activation of online sports gaming for the 2006 tender concessions (Bersani Sport)	1,447	1,447	1,447
CASSA DI RISPARIMO DI RAVENNA	HIPPOGROUP ROMA CAPANNELLE	Snaitech	Pro-quota, several/non-joint bank guarantee in the interest of Hippogroup Roma Capannelle for the opening of a bank credit line in favour of EEPP	1,389	1,389	1,389
BANCO BPM	Ministry of agriculture	Snaitech	To guarantee the grant of horse races in Milano Trotto racetrack	–	1,041	1,041
UBI BANCA	SPIELO	Snaitech (former Cogetech)	To guarantee the VLT Spielo contract	1,000	1,000	1,000
UBI BANCA	GOITO SRL	Snaitech (former Cogetech)	To guarantee office rental	698	698	698

<i>Bank</i>	<i>Beneficiary</i>	<i>Company</i>	<i>Subject matter of the guarantee</i>	<i>As at 31 December</i>		
				<i>2015</i> €'000	<i>2016</i> €'000	<i>2017</i> €'000
UNICREDIT	AGENZIA DELLE ENTRATE	Snaitech	To guarantee the 2014 VAT reimbursement	512	512	512
BANCO POPOLARE DELL'EMILIA ROMAGNA	TIM/IFITALIA	Snaitech (former Cogetech)	To guarantee TIM's phone top-ups	500	500	—
BANCO BPM	TIM/IFITALIA	Snaitech (former Cogetech)	To guarantee TIM's phone top-ups	400	400	—
BANCO BPM	Ministry of agriculture	Snaitech	To guarantee the grant of horse races in Montecatini racetrack	—	356	356
BANCO BPM	Ministry of agriculture	Snaitech	Subsidy to horse racing held in Montecatini track in 2017	—	—	337
BANCO BPM	ADM (Customs and Monopoly Agency)	Snaitech (former Cogetech)	To guarantee the online gaming concession	315	315	197
BANCO CAMBIANO	VODAFONE OMNITEL B.V	Snaitech	To guarantee Vodafone's top-ups	350	—	—
COFITALIA CONFIDI s.c.p.a	AGENZIA DELLE ENTRATE DI MANTOVA	FINSCOM	To guarantee the cover of irregularities	502	—	—
UNICREDIT	MEDIOCREDI TO ITALIANO Spa	Snaitech	To guarantee TIM's phone top-ups	1,000	—	—
BANCO NAZIONALE DEL LAVORO	AAMS (Customs and Monopoly Agency)	Snaitech	To guarantee securing the concession for the acceptance of horse race bets (Giorgetti)	4,262	—	—
OTHERS	OTHERS	OTHERS	MISCELLANEOUS (sureties lower than €200,000)	2,265	1,871	1,263
Total				<u>188,845</u>	<u>196,115</u>	<u>203,213</u>

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 on the statement of income and cash flows statement of the company and/or the Snaitech Group must be analysed bearing in mind that the principal dealings with related parties are identical to equivalent contracts in place with third parties.

Some Snaitech Group companies have accounts with Banca Monte dei Paschi di Siena S.p.A., Intesa San Paolo S.p.A., Poste Italiane, Unicredit S.p.A. and Banco BPM S.p.A, which may be considered related parties to the Snaitech Group.

Such transactions are considered to be in the interest of the Snaitech Group, are part of the ordinary course of business and are subject to the terms and conditions of the market.

It is highlighted that bond loans and the senior revolving facility are also backed by a pledge on Snaitech 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 opinion by the Snaitech Related Party Committee.

The following table sets forth a summary of dealings between the Snaitech Group and related parties:

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Trade receivables			
From companies related to directors of Snaitech	–	1	–
From Global Games S.p.A.	–	4	32
	–	5	32
Other current assets			
To Teseo S.r.l. in liquidation	–	170	–
	–	170	–
Total assets	–	175	32
Trade payables			
From companies related to directors of Snaitech	30	323	2
To companies related to auditors of Snaitech	–	–	30
To companies related to shareholders of Snaitech	–	(1)	–
	30	322	32
Other current liabilities			
To companies related to directors of Snaitech	–	4	–
To Global Games S.p.A.	–	–	16
To Hippogroup Roma Capannelle S.p.A.	–	–	7
To Teseo S.r.l. in liquidation	383	383	–
	383	387	23
Total liabilities	413	709	55

The following table shows the impact of related party transactions:

	<i>For the year ended 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Revenue from services and chargebacks			
From companies related to directors of Snaitech	5	93	57
	<u>5</u>	<u>93</u>	<u>57</u>
Other revenues			
From Global Games S.p.A.	5	4	13
From directors and companies related to Finscom S.r.l.	1	–	–
	<u>6</u>	<u>4</u>	<u>13</u>
Total revenues	<u>11</u>	<u>97</u>	<u>70</u>
Costs for services and chargebacks			
To companies related to directors of Snaitech	10	6	6
From companies related to auditors of companies merged into Snaitech	–	27	–
From companies related to shareholders of Snaitech	–	–	3
To companies related to auditors of Snaitech	1	1	84
To directors of Teleippica S.r.l.	87	27	–
From directors of Finscom S.r.l.	24	–	–
To directors and companies related to Finscom S.r.l.	95	45	–
To auditors of Cogetech Gaming S.r.l.	6	–	–
	<u>223</u>	<u>106</u>	<u>93</u>
Costs of seconded personnel and other costs of personnel			
From companies related to directors of Snaitech	1	–	7
	<u>1</u>	<u>–</u>	<u>7</u>
Other operating costs			
To companies related to directors of Snaitech	12	14	12
From companies related to auditors of companies merged into Snaitech	–	2	–
	<u>12</u>	<u>16</u>	<u>12</u>
Total costs	<u>236</u>	<u>122</u>	<u>112</u>

Revenues from services and chargebacks and other income impacted EBITDA (earnings before interest, tax, depreciation and amortisation) by 0.05% in 2017 (vs. 0.08% in 2016) while total revenues weighted on profit/(loss) for 2017 by 0.26% (vs. 0.57% in 2016).

Cost of raw materials and consumables, services and charge backs and other operating costs affected EBITDA by 0.08% in 2017 (vs. 0.10% in 2016) while total costs weighted on profit/(loss) by 0.41% (vs. 0.72% in 2016).

As at 31 December 2017 remuneration to executives with strategic roles was €1,620,000, of which €660,000 related to base salary, €200,000 to the Chief Executive Officer and €100,000 related to extraordinary bonus and €660,000 related to variable compensation.

35. FINANCIAL RISK MANAGEMENT

The Snaitech Group financial liabilities are mainly centred on high yield bonds, bank loan and financial leases. Such contracts have medium to long-term maturity.

On 24 October 2016, the Board of Directors of Snaitech approved the refinancing of its existing bonds (“Existing Bonds” which includes senior secured notes of €320 million due in 2018, subordinated notes of €160 million due in 2018 and senior secured notes of €110 million due in 2018) through the issuance of a new senior secured bond of €570 million due in 2021 (“New Bonds”) and the contextual tender offer to repurchase the Existing Bonds (“Tender Offer”). In the same session, the Board of Director has also approved a new senior revolving facility up to €85 million (“New Revolving Facility”) to substitute the existing facility of €55 million.

The New Bonds, which represent the main financial indebtedness of the Snaitech Group as of 31 December 2017, are secured (as well as the New Revolving Facility) on a first-ranking basis by (a) a pledge over 50.00% plus one share of the share capital of the Snaitech, (provided by Global Games S.p.A.) (b) a pledge over 100.00% of the quotas of Teleippica S.r.l. (provided by Snaitech) and (c) a pledge over certain intellectual property rights owned by Snaitech.

Finally, on 11 May 2017 Snaitech executed a bank loan agreement offered by Banca Popolare di Milano for a notional amount of €1,450,000 to fund the part of the technological rejuvenation program and automation of the point of sales. The loan has three-year maturity with an annual interest rate of 3 month Euribor plus a spread of 1.9% per annum.

The Snaitech Group’s policy is focused on reducing commercial financing, shortening the Days Sales Outstanding, schedule the extension of trade payables as well as plan different payment schedules for fixed assets.

Financial derivatives

The Snaitech Group had no derivative instruments in place at 31 December 2015, 2016 or 2017.

Liquidity Risk

The liquidity risk is defined as the possibility that the Snaitech Group 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 forced to sustain very high costs to meet its own commitments. The Snaitech Group’s exposure to such risk is linked primarily to the commitments related to the issue of bond loans in 2016, and the entering of a revolving facility, undrawn as at 31 December 2017.

The following table shows an analysis of maturity terms based on contract redemption obligations which are not discounted and relate to bond loans (for Fixed Rate Guaranteed Senior Bonds the rate considered was the one applied in the current interest period), to outstanding lease agreements, and to other liabilities. The cash flows are entered in the first timeframe where they may occur.

As at 31 December 2015

	<i>Total</i>	<i>Within</i>	<i>Between</i>	<i>Between</i>	<i>Between</i>	<i>Over</i>
	<i>cash flow</i>	<i>6 months</i>	<i>6 months</i>	<i>1 and 2</i>	<i>2 and 5</i>	<i>5 years</i>
	<i>€'000</i>	<i>€'000</i>	<i>and 1 year</i>	<i>years</i>	<i>years</i>	<i>€'000</i>
			<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	
Senior secured notes	381,008	12,202	12,202	24,403	332,201	—
Senior subordinated notes	348,569	13,794	13,794	27,588	293,393	—
Leasing	1,312	452	820	39	1	—
Other	189,400	155,994	26,975	2,054	3,464	—

As at 31 December 2016

	<i>Total cash flow €'000</i>	<i>Within 6 months €'000</i>	<i>Between 6 months and 1 year €'000</i>	<i>Between 1 and 2 years €'000</i>	<i>Between 2 and 5 years €'000</i>	<i>Over 5 years €'000</i>
Senior secured fixed rate notes	422,017	10,202	10,202	20,403	381,210	–
Senior secured floating rate notes	326,121	7,583	7,625	15,205	295,708	–
Leasing	497	102	95	151	149	–
Other liabilities	154,744	122,077	28,279	1,576	2,725	87

As at 31 December 2017

	<i>Total cash flow €'000</i>	<i>Within 6 months €'000</i>	<i>Between 6 months and 1 year €'000</i>	<i>Between 1 and 2 years €'000</i>	<i>Between 2 and 5 years €'000</i>	<i>Over 5 years €'000</i>
Senior secured fixed rate notes	401,613	10,202	10,202	20,403	360,806	–
Senior secured floating rate notes	310,913	7,540	7,665	15,205	280,503	–
Leasing	305	69	62	125	49	–
Other liabilities	162,349	129,555	28,771	1,499	2,524	–

Interest rate risk

Within the framework of financing activities related to its ordinary course of business, the Snaitech Group 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 Snaitech Group is only partly subjected to interest rate risk connected, in particular, with coupons of Fixed Rate Guaranteed Senior Bonds that are indexed at 3-month Euribor rate (with floor equal to 0%). The aim of the interest rate risk management is to protect the Snaitech 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 Snaitech Group to changes in cash flows, while fixed rate instruments expose the Snaitech Group to changes in fair value.

Credit risk

In order to reduce and monitor credit risk, the Snaitech Group has adopted organisational policies and instruments.

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 Snaitech Group, resulting in a 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 the Snaitech Group, thanks to their now well-established and long-standing presence in all the market service sectors, characterised by a limited number of licensed operators.

A number of relationships with debtors are initially secured with guarantees or deposits, granted in favour of the Snaitech Group on the basis of reliability assessments. The relationships established are monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.

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 Snaitech Group's other financial assets is in line with market conditions.

Exchange rate risk

None of the transactions carried out constituted any significant exposure to exchange rate risk.

Capital management

The capital management of the Snaitech 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 Snaitech Group is subject to contractual restrictions in its loan agreements with regards to the distribution of dividends to its shareholders and issue of new shares.

The Snaitech 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 Snaitech Group's policy to seek to maintain a ratio of between 0.3 and 1.0

	<i>As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Interest-bearing loans	576,633	536,216	566,358
Non-interest-bearing loans	32	32	32
Financial liabilities	576,665	563,248	566,390
Trade payables and other liabilities	198,519	189,723	202,214
Financial assets	(23,205)	(18,867)	(20,356)
Cash and cash equivalents	(107,588)	(82,337)	(137,591)
Net indebtedness	644,391	651,767	610,657
Shareholders' equity	135,625	118,510	145,589
Total shareholders' equity	135,625	118,510	145,589
Shareholders' equity and net indebtedness	780,016	770,277	756,246
Ratio net indebtedness/(shareholders' equity and net indebtedness)	82.6%	84.6%	80.7%

36. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Year ended 31 December 2015

During the fiscal year 2015, non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of 27 July 2006, as being those “components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business)”, amounted to €23,767,000 and were mainly related to the following items:

- €27,457,000 connected to the net income attributable to the transaction concluded on 19 February 2015 between the Snaitech Group, on the one side, Barcrest Group Limited and The Global Draw Limited on the other side, and their parent company Scientific Games Corporation, to settle a number of pending issues, which arose between the parties for the well-known events occurred in April 2012. In relation to the above-mentioned transaction, the Snaitech Group 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;
- €1,015,000 related to costs borne for the conclusion of the above-mentioned agreement;
- €1,822,000 related to costs borne for the acquisition of Cogemat Group.

Year ended 31 December 2016

During the fiscal year 2016, non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of 27 July 2006, as being those “components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business)”, amounted to €42,334,000 and were mainly related to the following items:

- €6,082,000 from “Other revenues and income” for active trading;
- €1,207,000 for “Cost of services and third party assets” attributable to consultancy services related to extraordinary corporate and financing transactions;
- €1,857,000 for “Cost of personnel” for transactions with personnel and leave incentives;
- €5,025,000 for “Other operating costs” for costs incurred in relation to the above active trading;
- €1,052,000 for “Other operating costs” related to other losses;
- €7,598,000 for “Other provisions/accruals” related to allocations to provisions for risks due to the corporate reorganisation and restructuring and allocations for tax disputes on 2011/2013 years (PVC);
- €31,677,000 related to financial charges generated within the refinancing operation for the redemption of bond loans issued in previous years.

Year ended 31 December 2017

During the fiscal year 2017, non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of 27 July 2006, as being those “components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business)”, amounted to €3,006,000 and were mainly related to the following items:

- €3,712,000 from “Other revenues and income”, of which €499,000 related to Income from lawsuits, €913,000 from sale of business units and €2,300,000 from repayment of damages;
- €1,702,000 for “Cost of services and third party assets”, of which €2,978,000 related to non-deductible VAT from prior years and €1,276,000 for advisory on non-recurring corporate transactions, lawsuits and other non-recurring events;

- €1,910,000 for “Other operating costs”, of which €1,207,000 related to ADM request on past due VLT winning tickets for the periods between 2010 to 19 March 2013, €325,000 for costs related to the aforementioned Income from lawsuits, €324,000 of losses from lawsuits, €49,000 for capital loss from transfer of business units and €5,000 related to other items;
- €108,000 for “Cost of personnel” related to voluntary redundancy schemes;
- €390,000,000 for “Other provisions/accruals” related to employment lawsuits.

37. EVENTS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No atypical and/or unusual operations took place during the years ended 31 December 2015, 2016 or 2017.

38. GROUP STRUCTURE

Ownership of the Snaitech Group

Snaitech, the Parent Company, is legally subject to control by Global Games S.p.A.

Relevant ownership of subsidiaries' share capital

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

<i>Subsidiary</i>	<i>Percentage held As at 31 December</i>		
	<i>2015</i>	<i>2016</i>	<i>2017</i>
Societa Trenno S.r.l.*	100%	100%	—
Teleippica S.r.l.	100%	100%	100%
SNAI Rete Italia S.r.l.	100%	100%	100%
Izilove Fondation	100%	100%	100%
Snaitech Smart Technologies S.r.l	—	—	100%
Finscom S.r.l.	100%	—	—
Cogemat S.p.A.	100%	—	—
Cogetech S.p.A.	100%	—	—
Cogetech Gaming S.p.A.	100%	—	—
Azzurro Gaming S.p.A.	100%	—	—

* Merged by incorporation into Snaitech in 2017

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 Snaitech Group's net financial position is set forth in the following table:

		<i>As at 31 December</i>		
		<i>2015</i>	<i>2016</i>	<i>2017</i>
		<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
A.	Cash on hand	1,338	1,226	568
B.	Other cash and cash equivalents	106,250	81,111	137,023
– Bank accounts		105,478	79,095	135,859
– Postal accounts		772	2,016	1,164
C.	Securities held for trading	1,484	1	1
D.	Liquidity (A)+(B)+(C)	109,072	82,338	137,592
E.	Current financials receivables	–	–	–
F.	Current bank debts	71	141	136
G.	Current portion of non-current indebtedness	–	–	479
H.	Other current financial debt	3,493	5,693	5,531
– For interest on bond loans		2,166	5,352	5,352
– For acquisition of sports and horse racing concessions		32	32	–
– Due to other lenders		1,295	309	179
I.	Current financial indebtedness (F)+(G)+(H)	3,564	5,834	6,146
J.	Net current financial indebtedness (I)-(E)-(D)	(105,508)	(76,504)	(131,446)
K.	Non-current bank loans	–	–	696
L.	Bonds issued	573,030	557,115	559,385
M.	Other non-current loans	71	299	163
– Due to other lenders		71	299	163
N.	Non-current financial indebtedness (K)+(L)+(M)	573,101	557,414	560,244
O.	Net financial indebtedness (J)+(N)	467,593	480,910	428,798

At 31 December 2017, net financial position does not include restricted bank accounts and deposits of €16,838,000 (included in the item "Current financial assets"), the dedicated bank account of €131,000 and other non-current financial assets of €3,386,000 (see Note 22).

At 31 December 2017, net financial indebtedness decreased by €52,112,000 compared to 31 December 2016, primarily due to the increase in cash and cash equivalents of €55,254,000, caused by the refund of the security deposit related to gaming machines. Conversely, the gross financial indebtedness (current and non-current) increased by €3,142,000 due to the amortised cost method applied to bonds and the new bank loan of €1,450,000.

39.1 COVENANTS

As is customary for similar lending facilities, the current loan agreements (revolving credit line and bond loans), as described in Note 28, prescribe a number of obligations for the Snaitech Group.

In particular, it is envisaged that the company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the restrictions on the distribution of dividends until expiration of other bond loans, as well as restrictions on the early repayment of bonds, in taking on financial indebtedness and in making specific investments and disposing of corporate assets and properties. Events of default are also specified, which may make it necessary for the lenders to demand early repayment.

In accordance with the Senior Revolving contract subscribed on 26 October 2016 with Unicredit S.p.A., Deutsche Bank AG, BNP Paribas and Goldman Sachs, in particular Snaitech undertook to send a Compliance Certificate, on a three-month basis, to lending banks, through the contract Agent.

The Compliance Certificate related to the three-month settlements reports the margin confirmation applicable to the credit line and the absence of default events over the period under evaluation. The Compliance Certificate concerning the financial statements for the year, also includes the Guarantor Coverage Test to ensure that the aggregate EBITDA of the Snaitech Group companies identified as guarantors, pursuant to the Senior Revolving contract, be equal or higher than 80% of the Consolidated EBITDA. The first application of the Guarantor Coverage Test is expected with the financial statements ending December 31, 2017.

Lastly, the Snaitech Group is bound to supply lenders with periodical evidence of financial and economic reporting, as well as performance indicators, regarding, amongst other, EBITDA and Net Financial Debt.

40. FINANCIAL INSTRUMENTS AND INFORMATION ON FAIR VALUE

The following table shows a comparison between the carrying amount and the fair value, divided by category of all financial instruments, as well as by other assets and liabilities of the Snaitech Group, and the division based on the categories envisaged by IAS 39.

	<i>Carrying amount</i> <i>As at 31 December</i>			<i>Fair value</i> <i>As at 31 December</i>		
	<i>2015</i> <i>€'000</i>	<i>2016</i> <i>€'000</i>	<i>2017</i> <i>€'000</i>	<i>2015</i> <i>€'000</i>	<i>2016</i> <i>€'000</i>	<i>2017</i> <i>€'000</i>
Financial assets and liabilities						
Cash on hand	107,588	82,337	137,591	107,588	82,337	137,591
Receivables (LaR)	105,019	114,548	113,297	105,019	114,548	113,297
Current financial assets (LaR)	21,432	16,858	16,970	21,432	16,858	16,970
Non-current financial assets (LaR)	1,773	2,009	3,386	1,773	2,009	3,386
Current and non-current financial liabilities (FLAC)*	575,196	562,467	566,390	558,888	594,458	566,390
Current and non-current financial liabilities (payables for leasing and other)	1,469	781	1,473	1,469	781	1,473
Other assets and liabilities						
Other current assets (LaR)	55,255	53,326	52,965	55,255	53,326	52,965
Other non-financial non-current assets (LaR)	3,304	3,530	10,095	3,304	3,530	10,095
Sundry payables and other non-current liabilities (FLAC)	6,264	4,291	4,023	6,264	4,291	4,023
Trade payables (FLAC)	42,365	34,330	39,155	42,365	34,330	39,155
Other liabilities (FLAC)	149,890	151,102	159,036	149,890	151,102	159,036

* in determining the fair value of current and non-current financial liabilities (FLAC) the exchange value on the market was taken into account, as recognised by Bloomberg platform in the last section held for the calendar year.

Key – IAS 39 categories

<i>Category</i>	<i>Acronym</i>
Loans and receivables	LaR
Financial liabilities at amortised cost	FLAC

Measurements at fair value of the Snaitech Group's financial instruments were reclassified in the 3 levels envisaged by IFRS 7. In particular, the hierarchy is as follows:

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

On 31 December 2015, 31 December 2016 and 31 December 2017 there were no financial assets or liabilities designated at fair value in the Income Statement, as well as no financial assets available-for-sale or derivatives held for hedging purposes.

In 2017, no transfers occurred between fair value levels of the aforementioned hierarchy. The Snaitech Group has adopted internal valuation models, generally used in financial practice to determine fair value.

Management believes 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 Snaitech Group based on parameters like interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Allowance for doubtful accounts on these receivables are accounted on the above evaluations. As at 31 December 2015, 2016 and 2017, the carrying amount of these accounts receivable, net of allowances, 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 the Snaitech Group's 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 Snaitech Group as at 31 December 2015, 2016 and 2017 was assessed as irrelevant;
- the fair value of debt instruments issued by the Snaitech Group are measured using the discounted cash flow models based on current financing marginal rates for similar types of loans and maturities consistent with the residual useful life of the debt instruments in question.

41. SUBSEQUENT EVENTS

Renew/Waive of betting rights

The Budget law for 2018 (L. no. 205 of 27 December 2017 – Budgetary Plan for 2018 and three-year Budget Plan for 2018-2020, as published in the official journal no. 302 on 29 December 2017) on par. 1048 envisages that ADM will tender by 30 September 2018 the concessions at the same conditions already contained in the art. 1, paf. 932 of Law no. 208 of 31 December 2015 (Stability Law 2016). On this basis,

the existing concessions are extended up to 31 December 2018 against the payment of an annual fee of €6,000 per license per shop and €3,500 per license per corner.

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

AInvest Private Equity S.r.l./Snaitech

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

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

Employment lawsuits

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

Incorporation of SNAITECH IBERIA S.A.

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

Transfer of business units

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

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

Reduction of AWP's

The additional consolidation measures to the Budget law for 2017 scheduled the timing of reduction of AWP's rights, which was introduced by the 2016 Stability Law. Specifically, within 31 December 2017 the number of rights must be lower than 345,000; within 30 April 2018 must be lower than 265,000.

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

New classification of horse racing tracks

D.M. 681/2016 set forth a new classification of national horse racing tracks, which identifies tracks as follow: “strategic”, “institutional”, “commercial” and “promotional”. The Ministry of Agricultural policies, with a proceeding dated 31 January 2018, assigned the following classification to Snaitech horse racing tracks:

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

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

The new classification would determine for each track, after the implementation decree to be issued yet, different levels of public grants and the relevant number of races and jackpot (with subsequent impact on wagers). Snaitech, along with other management companies, requested for an anticipation of the public grant for 2018. As soon as the implementation decree will be issued, there is reasonable ground to believe that Milan trot track and Montecatini Terme track would be fairly penalised. It is currently under analysis with legal advisor the possibility to appeal such proceeding.

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

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

On 9 March 2018 the Board of directors approved the update of the Business Plan 2017-2019, which now is extended to 2020 and includes the regulatory news introduced in the gambling industry in the last months.

42. AUDIT AND NON AUDIT FEES

The following table sets forth the amounts accrued for services provided by the Auditing Company:

		For the year ended 31 December		
Type of service	Recipient	2015 €'000	2016 €'000	2017 €'000
Auditing services				
Accounting audit	Parent Company	433	501	409
	Subsidiaries	359	140	108
Services of attestation	Parent Company	820	650	71
	Subsidiaries	250	—	—
Other services	Parent Company	170	195	51
	Subsidiaries	81	—	—
		2,113	1,486	639

SCHEDULE 1

Composition of the Snaitech Group as of 31 December 2017

Figures thousands/Euro

<i>Name</i>	<i>Head office</i>	<i>Share Capital</i>	<i>Owned percentage</i>	<i>Note</i>	<i>Type of business</i>	<i>Consolidation method/ valuation criteria</i>
Snaitech.	Milan (MI)	97,982	Parent Company		Acceptance of horse racing and sports betting through its own concessions – coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies – electronic operation of the connection network of gaming machines – skill games- organization and management of horse racing tracks and training centres	Line-by-line basis
Subsidiaries:						
– Teleippica S.r.l. sole shareholder	Porcari (LU)	2,540	100.00%	(1)	Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers	Line-by-line basis
– SNAI rete Italia S.r.l. shareholder	Milan (MI)	10	100.00%	(2)	Acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points	Line-by-line basis
– Snaitech Smart Technologies S.r.l. shareholder	Milan (MI)	10	100.00%	(3)	Design, plan, implementation, production, assembly, promotion, sale, rental and assistance on computers, electronic and informatics technologies, hardware and software	Line-by-line basis
– IziLove Fondation	Milan (MI)	60*	100.00%	(4)	Non-profit Foundation – Social solidarity and charity	Line-by-line basis

<i>Name</i>	<i>Head office</i>	<i>Share Capital</i>	<i>Owned percentage</i>	<i>Note</i>	<i>Type of business</i>	<i>Consolidation method/ valuation criteria</i>
Affiliates:						
– Alfea S.p.A.	Pisa (PI)	1,006	30.70%	(5)	Organization and operation of horse races and the training centre	Shareholders' Equity
– Connex S.r.l. in liquidation	Porcari (LU)	82	25.00%	(6)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
Other companies:						
– HIPPOGROUP Roma Capannelle S.r.l.	Rome (RM)	1,777	15.46%	(7)	Organisation and operation of horse races and the training centre	Acquisition price

* Not available fund

Notes on Snaitech Group composition

- (1) Acquired by third parties on 5 May 2000. On 2 October 2003, the extraordinary shareholders' meeting, changed the company name from SOGEST Società Gestione Servizi Termali S.r.l. to Teleippica S.r.l., and also its corporate purpose. Over the course of 2005, the extraordinary shareholders' meeting resolved to increase the share capital to €2,540,000. On 31 January 2011 Snaitech. acquired 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. Snaitech owns 100% of the share capital of Teleippica S.r.l.
- (2) On 3 April 2015, the new undertaking SNAI Rete Italia S.r.l., 100% owned by Snaitech, was incorporated (with share capital of €10,000) with the aim to acquire shareholdings in undertakings owning points of sale and then manage directly the points of sale. On 24 October 2016 (effective on 1 November 2016) Finscom S.r.l merged by incorporation into SNAI Rete Italia S.r.l. With a resolution of the shareholders' meeting on 21 December 2016 (filed in the Companies Registry on 28 December 2016) the registered office was moved from Porcari (LU) to Milan.
- (3) Incorporated on 1 December 2017 and wholly owned by Snaitech.
- (4) Indirect ownership of wholly owned subsidiary Cogetech S.p.A., acquired with the merger of the Cogemat Group on 19 November 2015.

PART IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Overview

Section A of this Part IV is an unaudited pro forma statement of net assets of the Playtech Group at 31 December 2017 that has been prepared to illustrate the effect on the consolidated net assets of the Playtech Group as if the proposed acquisition of Snaitech had taken place on 31 December 2017.

Section B of this Part IV sets out the opinion from BDO LLP on the unaudited pro forma financial information contained in Section A.

SECTION A: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets of the Enlarged Group (the “**pro forma financial information**”) has been prepared to illustrate the effect on the consolidated net assets of the Playtech Group as if the acquisition of Snaitech had taken place on 31 December 2017.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Playtech Group’s or the Enlarged Group’s actual financial position or results.

The pro forma financial information is based on the consolidated net assets of the Playtech Group as at 31 December 2017, set out in the audited consolidated financial statements of the Playtech Group for the year ended 31 December 2017, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

		Adjustments			
	The Playtech Group as at 31 December 2017 (note 1) EUR'000	Snaitech as at 31 December 2017 (note 2) EUR'000	Acquisition of Snaitech (notes 3, 4) EUR'000	Other adjustments (note 5) EUR'000	Pro forma net assets of the Enlarged Group EUR'000
ASSETS					
Non-current assets					
Property, plant and equipment	80,016	132,367	—	—	212,383
Intangible assets	1,051,232	426,619	267,067	—	1,744,918
Investments in equity-accounted associates and joint ventures	37,216	1,477	—	—	38,693
Available for sale investments	381,346	—	—	—	381,346
Deferred tax assets	—	39,251	—	—	39,251
Other non-current assets	19,993	13,924	—	—	33,917
	<u>1,569,803</u>	<u>613,638</u>	<u>267,067</u>	<u>—</u>	<u>2,450,508</u>
Current assets					
Inventory	—	205	—	—	205
Trade receivables	107,165	113,297	—	—	220,462
Other receivables	93,322	69,935	—	—	163,257
Cash and cash equivalents	583,957	137,591	(437,656)	412,656	696,548
	<u>784,444</u>	<u>321,028</u>	<u>(437,656)</u>	<u>412,656</u>	<u>1,080,472</u>
TOTAL ASSETS	<u>2,354,247</u>	<u>934,666</u>	<u>(170,589)</u>	<u>412,656</u>	<u>3,530,980</u>
LIABILITIES					
Non-current liabilities					
Convertible bonds	276,638	—	—	—	276,638
Bond loans	—	560,244	—	—	560,244
Bridge loan	—	—	—	412,656	412,656
Deferred revenues	2,457	—	—	—	2,457
Deferred tax liabilities	31,283	—	—	—	31,283
Contingent consideration and redemption liability	137,080	—	—	—	137,080
Provisions for risks and charges	—	13,711	—	—	13,711
Other non-current liabilities	474	10,785	—	—	11,259
	<u>447,932</u>	<u>584,740</u>	<u>—</u>	<u>412,656</u>	<u>1,445,328</u>
Current liabilities					
Trade payables	61,969	39,155	—	—	101,124
Loans and borrowings	200,000	479	—	—	200,479
Progressive operators' jackpots and security deposits	62,675	—	—	—	62,675
Client deposits	71,628	—	—	—	71,628
Client funds	37,074	—	—	—	37,074
Tax liability	24,713	—	—	—	24,713
Deferred revenues	5,414	—	—	—	5,414
Contingent consideration	20,592	—	—	—	20,592
Other payables	63,798	164,703	—	—	228,501
	<u>547,863</u>	<u>204,337</u>	<u>—</u>	<u>—</u>	<u>752,200</u>
TOTAL LIABILITIES	<u>995,795</u>	<u>789,077</u>	<u>—</u>	<u>412,656</u>	<u>2,197,528</u>
NET ASSETS	<u>1,358,452</u>	<u>145,589</u>	<u>(170,589)</u>	<u>—</u>	<u>1,333,452</u>

Notes:

1. The net assets of the Playtech Group at 31 December 2017 have been extracted without material adjustment from the audited consolidated financial statements of the Playtech Group for the year ended 31 December 2017.

Adjustments:

2. The net assets of Snaitech as at 31 December 2017 have been derived as set out below:

	<i>As reported by Snaitech as at 31 December 2017 (note 2(a)) €'000</i>	<i>Reclassification adjustments (note 2(b)) €'000</i>	<i>Snaitech as at 31 December 2017 under Playtech's presentation (note 2(c)) €'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	132,367	–	132,367
Intangible assets	426,619	–	426,619
Investments accounted for under the equity method	1,477	–	1,477
Other investments	443	(443)	–
Deferred tax assets	39,251	–	39,251
Non-current trade receivables	8,622	(8,622)	–
Other non-current assets	–	13,924	13,924
Other non-financial assets	1,473	(1,473)	–
Non-current financial assets	3,386	(3,386)	–
Total non-current assets	613,638	–	613,638
Current assets			
Inventory	205	–	205
Trade receivables	113,297	–	113,297
Other receivables	–	69,935	69,935
Other assets	52,965	(52,965)	–
Current financial assets	16,970	(16,970)	–
Cash and cash equivalents	137,591	–	137,591
Total current assets	321,028	–	321,028
TOTAL ASSETS	934,666	–	934,666
LIABILITIES			
Non-current liabilities			
Bond loans	–	560,244	560,244
Post-employment benefits	6,762	(6,762)	–
Non-current financial liabilities	560,244	(560,244)	–
Provisions for risks and charges	13,711	–	13,711
Other non-current liabilities	4,023	6,762	10,785
Total non-current liabilities	584,740	–	584,740
Current liabilities			
Trade payables	39,155	–	39,155
Loans and borrowings	–	479	479
Other liabilities	159,036	(159,036)	–
Current financial liabilities	5,667	(5,667)	–
Current portion of long-term loans	479	(479)	–
Other payables	–	164,703	164,703
Total current liabilities	204,337	–	204,337
TOTAL LIABILITIES	789,077	–	789,077
NET ASSETS	145,589	–	145,589

- a. The consolidated net assets of Snaitech at 31 December 2017 have been extracted without material adjustment from the financial information set out in Part III of this document.
- b. Certain reclassification adjustments have been made to accord with the Playtech Group's accounting presentation, as follows:
 - i. Other investments, non-current trade receivables, other non-financial assets and non-current financial assets included within other non-current assets
 - ii. Current financial assets and other current assets included within other receivables
 - iii. Non-current financial liabilities included within bond loans
 - iv. Post-employment benefits included within other non-current liabilities
 - v. Other liabilities and current financial liabilities included within other payables
 - vi. Current portion of long term loans included within loans and borrowings
- c. Represents the sum of columns (a) and (b).

3. An adjustment has been made to reflect the estimated intangible assets arising on the acquisition of Snaitech.

For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of Snaitech to reflect their fair value. The difference between the net assets of Snaitech as stated at their book value at 31 December 2017 and the estimated consideration has therefore been presented as a single value in “Intangible assets”. The net assets of Snaitech will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets included in the Playtech Group’s next published financial statements may therefore be materially different from that included in the pro forma statement of net assets.

	<i>€’000</i>
Consideration payable in cash	412,656
Less: book value of net assets of Snaitech as at 31 December 2017	<u>(145,589)</u>
Estimated intangible assets arising on the Transaction	<u>267,067</u>

4. The decrease in cash of EUR 437.7 million comprises the consideration payable in cash of EUR 412.7 million and estimated transaction costs of the Company of EUR 25 million.
5. An adjustment has been made to reflect the bridge financing, underwritten and committed by the lenders under the Bridge Loan Agreement, as part of the acquisition. Whilst the overall Bridge Financing Debt Facility is committed up to EUR 1,040 million, as disclosed in section 6.2 of Part V of this document, only the amount drawn for purposes of the consideration (EUR 412.7 million) has been reflected in the pro forma statement of net assets.
6. No account has been taken of the financial performance of the Playtech Group since 31 December 2017, the financial performance of Snaitech since 31 December 2017, or of any other event save as disclosed above.

SECTION B: REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION



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Playtech PLC
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UBS Limited
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11 May 2018

Dear Sirs

Playtech PLC (the “Company”)

Pro forma financial information

We report on the unaudited pro forma net assets (the “**Pro Forma Financial Information**”) set out in Section A of Part IV of the class 1 circular dated 11 May 2018 (the “**Circular**”) which has been prepared on the basis described, for illustrative purposes only, to provide information about how the proposed acquisition of Snaitech S.p.A. might have affected the financial information presented on the basis of accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2017.

This report is required by paragraph 13.3.3R of the listing rules made by the Financial Conduct Authority for the purposes of part VI of the Financial Services and Markets Act 2000 (the “**Listing Rules**”) and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 7 of Annex II of Commission Regulation (EC) No. 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we

accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PART V

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names, functions and addresses appear on page 5 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in the British Virgin Islands on 12 September 2002 under the International Business Companies Act (cap 291) of the British Virgin Islands with registered number 513063 as a company limited by shares and was automatically re-registered under the British Virgin Islands Business Companies Act, 2004 on 1 January 2007. On 21 June 2012, the Company's registration was re-domiciled to the Isle of Man with registration number 008505V.
- 2.2 The registered office and principal place of business of the Company is Ground Floor, St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE and its telephone number is +44 1624 645 999.
- 2.3 The principal legislation under which the Company operates and under which the Ordinary Shares have been created is the Isle of Man Companies Act 2006 and regulations made thereunder.
- 2.4 The company secretary of the Company is Brian Moore.

3. Interests in Ordinary Shares

As at 9 May 2018 (being the latest practicable date prior to the date of this Circular), the interests (all of which are beneficial) of the Directors and the members of senior management and their immediate families (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the Act) in the issued shares of the Company are as follows:

<i>Name</i>	<i>Number of issued Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>	<i>Number of Ordinary Shares under Option</i>
Directors			
Alan Jackson	15,000	0.0047	—
Mor Weizer	36,000	0.0113	389,796
Andrew Smith	2,500	0.0008	77,046
Andrew Thomas	7,500	0.0024	—
Claire Milne	—	—	—
John Jackson	—	—	—
Paul Hewitt	2,524	0.0008	—
Senior Management			
Uri Levy	—	—	56,855
Shimon Akad	—	—	107,912
Armin Sageder	—	—	—
Ron Hoffman	10,000	0.0032	147,675

4. Significant Shareholders

As at 9 May 2018 (being the latest practicable date prior to the date of this Circular), the Company is aware of the following existing Shareholders who by virtue of the notifications made to it pursuant to the Articles and/or by the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the rules of London Stock Exchange plc or by law, are interested, directly or indirectly, in 3 per cent or more of the issued shares of the Company:

<i>Name</i>	<i>Number of issued Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
T. Rowe Price Associates, Inc.	31,536,083	9.93
Boussard & Gavaudan Gestion	28,807,991	9.08
Brickington Trading Limited	20,082,169	6.33
Morgan Stanley	18,776,451	5.92
Fidelity Mgt & Research	17,027,607	5.37
PAR Investment Partners, L.P.	16,000,000	5.04
Legal & General Investment Mgt	11,427,130	3.60

5. Directors' Service Agreements

Other than Mor Weizer, the Directors are not entitled to any termination benefits under the terms of their service agreements.

6. Material Contracts

Playtech

6.1 Sale and Purchase Agreement

The following is a summary of the principal terms of the Sale and Purchase Agreement. The Sale and Purchase Agreement is available for inspection as described in paragraph 14 of this Part V of the Circular.

The Initial Acquisition

The Sellers currently hold 70.561 per cent of the issued share capital of Snaitech.

On 11 April 2018, the Sellers, Playtech Bidco and Playtech entered into the Sale and Purchase Agreement and related documentation for the sale of the Sellers' respective interests in Snaitech.

The cash consideration payable to the Sellers was, in aggregate, EUR 291 million with approximately EUR 229 million being paid to Global Games for all its Snaitech Shares and approximately EUR 62 million being paid to OI Games for all its Snaitech Shares, being 55.533 per cent and 15.028 per cent of the Snaitech Shares respectively.

Conditions Precedent

Completion of the Initial Acquisition is conditional upon:

- (a) the passing of the Resolution at the General Meeting;
- (b) the consent of the Antitrust Authority to the transaction; and
- (c) the consent of ADM to the change of control of Snaitech.

In the event that the consent of the Antitrust Authority is not obtained on or prior to 9 August 2018 (or 30 days later if an extension has been requested by either Playtech Bidco or Global Games), Playtech Bidco has the right to unilaterally waive in writing such condition provided that in such case Playtech Bidco indemnifies and holds the Sellers harmless from and against all losses, liabilities,

damages and expenses resulting from the waiver of such condition and the consequent consummation of the Initial Acquisition.

Completion

Completion will take place on the date communicated in writing by Playtech Bidco to the Sellers with at least five business days advance notice and which shall not be (i) earlier than five business days after the date on which all the conditions have been satisfied or waived and (ii) later than twenty-five calendar days after the date on which all the conditions have been satisfied or waived.

If Completion has not occurred by 9 August 2018 (or 30 days later if an extension has been requested by either Playtech Bidco or Global Games), the Sale and Purchase Agreement shall lapse and cease to have effect.

Withdrawal Right

If prior to Completion, a material adverse effect (being the occurrence of leakage or Snaitech and/or its subsidiaries carrying out any action or omission which is outside the ordinary course of business and results in a liability exceeding in aggregate EUR 20,000,000) occurs, Playtech Bidco shall have the right to terminate the Sale and Purchase Agreement.

Representations, Warranties and Indemnities

Each of Playtech Bidco and the Sellers have given limited representations and warranties (relating to authority, capacity and solvency) to the other under the Sale and Purchase Agreement.

All representations and warranties provided by each of Playtech Bidco and Snaitech have been given on an indemnity basis with liability capped for the Sellers at the consideration paid to each of the Sellers. Playtech Bidco's liability is capped at the consideration paid to the Sellers.

Governing Law

The Sale and Purchase Agreement and any non-contractual obligations connected with it are governed by the laws of Italy. The Court of Milan (Italy) has exclusive jurisdiction to determine any claim or dispute and to grant relief in respect of the Sale and Purchase Agreement which must or may be instituted before a court of justice. All other disputes arising between the parties will be finally settled under the Rules of Arbitration of the Chamber of Commerce of Milan.

6.2 Playtech Bridge Loan

The following is a summary of the principal terms of the Bridge Loan Agreement. Pursuant to the Bridge Loan Agreement, the Bridge Financing Debt Facility and the RCF will be made available to the Company.

Purpose

The Bridge Financing Debt Facility comprises two tranches, an acquisition tranche of EUR 425 million ("**Tranche A**") and a refinancing tranche of EUR 615 million ("**Tranche B**").

Tranche A can be drawn down for the purpose of:

- (a) financing the purchase price payable by Playtech Bidco for the Initial Acquisition pursuant to the Sale and Purchase Agreement and associated fees, costs and expenses incurred in connection therewith (the "**SPA Purpose**"); and
- (b) to support the issuance of cash confirmation letters to guarantee payment of the cash consideration for the Mandatory Takeover Offer and finance the purchase of the Snaitech Shares in connection with the Mandatory Takeover Offer after the date upon which the Sale and Purchase Agreement completion occurs and the associated fees, costs and expenses incurred in connection therewith (the "**MTO Purpose**").

Tranche B can be drawn down for the purpose of refinancing certain existing indebtedness of Snaitech (the “**Proposed Snaitech Refinancing**”) and related fees, costs and expenses incurred in relation to the Proposed Snaitech Refinancing.

Security

The facilities under the Bridge Loan Agreement will be secured by way of first priority security over:

- (a) the issued share capital of TradeTech Holding Limited, Playtech Software Limited, Technology Trading IOM Limited, Playtech Services (Cyprus) Limited, Playtech Bidco and Pluto Holdings (Italia) S.p.A.; and
- (b) from and including the date of the Proposed Snaitech Refinancing, all Snaitech shares owned (directly or indirectly) by the Company and/or any other member of the Playtech Group from time to time.

Conditions Precedent and Drawdown

The drawdown by the Company under the Bridge Loan Agreement is contingent upon certain customary conditions precedent being satisfied. Provided these customary conditions precedent are satisfied:

- (a) Tranche A is available:
 - i. for drawings in relation to the SPA Purpose, from and including the date of the Bridge Loan Agreement to the earlier of the date:
 - 1. falling five months after the date of the Bridge Loan Agreement;
 - 2. on which the Sale and Purchase Agreement can no longer be completed; and/or
 - 3. on which Sale and Purchase Agreement completion occurs,
 - ii. for drawings in relation to the MTO Purpose from and including the date of the Bridge Loan Agreement to the earlier of:
 - 1. the end of the Mandatory Takeover Offer period, as defined in the Bridge Loan Agreement;
 - 2. the date on which the Sale and Purchase Agreement can no longer be completed; and
 - 3. 31 December 2018.
 - (b) Tranche B is available from and including the date of the Bridge Loan Agreement to the earlier of the date:
 - i. on which the Sale and Purchase Agreement can no longer be completed;
 - ii. falling five months after the date on which Sale and Purchase Agreement completion occurred; and/or
 - iii. 31 December 2018.
 - (c) The RCF is available from and including the date of the Bridge Loan Agreement to the date falling one month prior to the RCF Termination Date, as defined below.
- (each such period being an “**Availability Period**”).

The lenders will be obliged to make utilisations available to the Company during the relevant Availability Period provided that:

- (a) in respect of the RCF:
 - i. no default is continuing or would result from the proposed utilisation; and
 - ii. all repeating representations are true in all material respects, and
- (b) in respect of the Bridge Financing Debt Facility:
 - i. certain specified events of default have not occurred; and
 - ii. there has been no breach of certain specified representations included in the Bridge Loan Agreement.

Term

Subject to two six month extension options, exercisable at the sole discretion of the Company, the Bridge Financing Debt Facility terminates on the first anniversary of the date of the Bridge Loan Agreement.

Subject to a one year extension option, which is subject to customary conditions and at the lenders' discretion, the RCF terminates on the third anniversary of the date of the Bridge Loan Agreement (the "**RCF Termination Date**").

Repayment

No further drawings may be made and all amounts outstanding together with accrued interest and any other accrued amounts shall (subject to certain processes and the lapse of grace periods) become due and payable, in each case, upon the occurrence of certain illegality events applicable to a lender, a change of control (i.e. any person or group of persons acting in concert gains direct or indirect control in respect of the Company) or a sale of all or substantially all of the assets of the Playtech Group whether in a single transaction or a series of related transactions and on the occurrence of certain events that occur in the context of a member of the Playtech Group in its capacity as a provider of online gaming.

Interest and fees

Interest under the Bridge Loan Agreement in relation to each of the Bridge Financing Debt Facility and the RCF will be charged on each loan and the applicable interest rate will be the aggregate percentage rate per annum of the applicable margin and EURIBOR.

In relation to the Bridge Financing Debt Facility, the margin applicable to each three-month period beginning on the date of the Bridge Loan Agreement varies depending on the length of time for which the Bridge Loan Agreement has been in place and loans under the Bridge Financing Debt Facility are drawn down increases incrementally between an initial margin of 1.75 per cent per annum for the period ending three months from the date of the Bridge Loan Agreement to a maximum margin of 3.25 per cent per annum for the period starting the day after the date falling 18 months after the date of the Bridge Loan Agreement and ending at the date falling 24 months after the date of the Bridge Loan Agreement.

In relation to the RCF, the margin varies between 1.30 per cent per annum and 2.10 per cent per annum, depending on the ratio of the Playtech Group's consolidated net debt to its consolidated EBITDA measured over four accounting quarters.

Restrictive covenants

The Company and certain subsidiaries of the Company are subject to a number of customary restrictive covenants, such that particular acts are prohibited unless they are expressly permitted under

the Bridge Loan Agreement including, amongst others, (in each case subject to certain exceptions and carve outs):

- (a) a negative pledge whereby the members of the Playtech Group are not permitted to create any security over their assets;
- (b) a restriction in respect of making disposals of assets;
- (c) a restriction on incurring financial indebtedness in subsidiaries of the Company that are not obligors under the Bridge Loan Agreement; and
- (d) a restriction on making acquisitions.

Financial Covenants

The Bridge Loan Agreement contains the following financial covenants which are tested semi-annually and on the basis of a twelve month period:

- (a) Leverage test – leverage is defined as the ratio of the Playtech Group’s consolidated total net debt to consolidated EBITDA. The leverage ratio for, or by reference to, the relevant twelve month test periods ending on or prior to the date falling 18 months after the date of the Bridge Loan Agreement shall be no greater than 3.25:1 and for, or by reference to, each relevant period thereafter the leverage ratio shall be no greater than 3.00:1.
- (b) Interest test – for any relevant twelve month testing period during the term of the Bridge Loan Agreement, the ratio of consolidated EBITDA to consolidated finance charges for any such relevant period shall not be less than 4.00:1.

The Bridge Loan Agreement otherwise contains customary warranties, representations, covenants and events of default for a facility of its nature.

Snaitech

6.3 2021 Snaitech Notes

Overview

On 7 November 2016 (the “**Issue Date**”), Snaitech issued the 2021 Snaitech Notes. The 2021 Snaitech Notes have been issued pursuant to an indenture governed by the laws of the State of New York (the “**Indenture**”) dated the Issue Date and entered into between, among others, Snaitech and The Law Debenture Trust Corporation p.l.c., as trustee (the “**Trustee**”).

The 2021 Snaitech Notes are admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

Use of Proceeds

The gross proceeds from the offering of the 2021 Snaitech Notes were approximately EUR 570 million. The net proceeds from the offering of the 2021 Snaitech Notes of EUR 567.5 million (after giving effect to the 1.0 per cent. discount on the issue price of the 2021 Floating Rate Notes) and cash from balance sheet were used to:

- pay repurchase costs in connection with the 2016 Tender Offer;
- satisfy and discharge and ultimately redeem all outstanding 2018 Snaitech Notes that were not purchased through the 2016 Tender Offer; and
- pay certain fees and expenses in connection with the 2016 Snaitech Refinancing.

Ranking

The 2021 Snaitech Notes constitute senior secured obligations of Snaitech and:

- (a) rank pari passu in right of payment with any existing and future indebtedness of Snaitech that is not expressly subordinated in right of payment to the 2021 Snaitech Notes, including indebtedness incurred under the 2016 Snaitech Revolving Credit Facility;
- (b) rank senior in right of payment to any existing and future indebtedness of Snaitech that is expressly subordinated in right of payment to the 2021 Snaitech Notes;
- (c) rank effectively senior to any existing and future indebtedness of Snaitech that is unsecured to the extent of the value of the Collateral (as defined below);
- (d) are effectively subordinated to any existing or future indebtedness of Snaitech and its subsidiaries that is secured by property or assets that do not secure the 2021 Snaitech Notes, to the extent of the value of the property or assets securing such indebtedness; and
- (e) are structurally subordinated to all existing and future obligations of Snaitech's subsidiaries, including obligations to trade creditors.

Interest, Payment Date and Maturity

Interest on the 2021 Fixed Rate Notes is payable semi-annually in arrears on 7 May and 7 November of each year, commencing on 7 May 2017. Interest on the 2021 Fixed Rate Notes accrues from the Issue Date. The 2021 Fixed Rate Notes will mature on 7 November 2021.

Interest on the 2021 Floating Rate Notes is payable quarterly in arrears on 7 February, 7 May, 7 August and 7 November, commencing on 7 February 2017. The 2021 Floating Rate Notes bear interest equal to the sum of (i) three-month EURIBOR (with a 0 per cent. floor) plus (ii) 6.0 per cent. per annum, reset quarterly. Interest on the 2021 Floating Rate Notes accrues from the Issue Date. The 2021 Floating Rate Notes mature on 7 November 2021.

Collateral

The 2021 Snaitech Notes are secured on a first-ranking basis by:

- (a) a pledge over 50.00 per cent. plus one share of the share capital of Snaitech;
 - (b) a pledge over 100.00 per cent. of the quotas of Teleippica S.r.l.; and
 - (c) a pledge over certain intellectual property rights of Snaitech,
- (collectively, the “**Collateral**”).

The Collateral was granted to the Trustee as legal representative (*mandatario con rappresentanza*) and common representative (*rappresentante comune*) of, and on behalf of, the holders of the 2021 Snaitech Notes.

The Collateral also secures the 2016 Snaitech Revolving Credit Facility. An intercreditor agreement provides that, in the event of enforcement of the Collateral, the holders of the 2021 Snaitech Notes, will receive proceeds from the Collateral only after lenders under the 2016 Snaitech Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full.

In addition, the Indenture permits Snaitech to secure additional indebtedness with liens on the Collateral under certain circumstances, including on a super senior priority basis.

Optional Redemption

On or after 7 November 2018, Snaitech may redeem all or, from time to time, part of the 2021 Fixed Rate Notes upon not less than 10 nor more than 60 days' notice to the noteholder, at the redemption prices specified in the offering circular in respect of such 2021 Snaitech Notes (the “**Offering**”).

Circular”), being 103.188 per cent from 7 November 2018 to 6 November 2019, 101.594 per cent from 7 November 2019 to 6 November 2020 and par value from 7 November 2020 onwards.

Prior to 7 November 2018, Snaitech may redeem:

- (a) during each twelve-month period commencing with the Issue Date, up to 10 per cent. of the original principal amount of the 2021 Fixed Rate Notes at a redemption price equal to 103 per cent. of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts (as defined in the Offering Circular), if any, to the applicable redemption date;
- (b) all or a portion of the 2021 Fixed Rate Notes by paying a redemption price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest, if any, plus a “make-whole” premium; and
- (c) up to 40 per cent. of the 2021 Fixed Rate Notes with the net proceeds from one or more equity offerings.

At any time on or after 7 November 2017 but prior to 7 November 2018, Snaitech may redeem all or a portion of the 2021 Floating Rate Notes at a one per cent. premium and, at any time on or after 7 November 2018, Snaitech may redeem all or a portion of the 2021 Floating Rate Notes at par value.

Mandatory Redemption

Upon the occurrence of certain events constituting a change of control, Snaitech may be required to make an offer to purchase the 2021 Snaitech Notes on the terms set out in the Offering Circular. In addition, in the event of the occurrence of certain developments in applicable tax law, Snaitech may redeem all, but not less than all, of the 2021 Snaitech Notes on the terms set out in the Offering Circular.

The definition of “change of control” is contained in the Indenture and includes a disposition of all or substantially all the assets of Snaitech and its restricted subsidiaries taken as a whole.

Covenants

Subject to certain exceptions, the Indenture, among other things, restricts the ability of Snaitech and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of Snaitech’s subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders

In addition, Snaitech will provide to the Trustee annual and quarterly reports of Snaitech.

Certain of the covenants will be suspended if the relevant 2021 Snaitech Notes obtain and maintain an investment-grade rating. Each of these covenants in the Indenture will be subject to exceptions and qualifications, as set out in the Indenture.

Events of Default

The Indenture contains events of default, upon the occurrence of which Snaitech may be required to immediately repay the principal and premium (if any) on 2021 Snaitech Notes, together with accrued and unpaid interest on all the 2021 Snaitech Notes. The events of default under the Indenture are subject to materiality qualifications and exceptions, baskets and grace periods, as appropriate, and include, by way of example:

- (a) default in any payment of interest on any 2021 Snaitech Note issued under the Indenture when due and payable, continued for 30 days;
- (b) failure to perform or comply with the covenants; and
- (c) certain events of insolvency or dissolution.

7. Legal and arbitration proceedings

Playtech

- 7.1 There are no governmental, legal or arbitration proceedings nor so far as the Company is aware, are any governmental, legal or arbitration proceedings pending or threatened which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Playtech Group's financial position or profitability.

Snaitech

- 7.2 Save for those matters described below, there are no governmental, legal or arbitration proceedings nor so far as the Company is aware, are any governmental, legal or arbitration proceedings pending or threatened which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Snaitech Group's financial position or profitability.

*7.2.1 The Italian Stability Law of 2015 ("**Stability Law 2015**")*

The Stability Law 2015 included an obligation on concession holders to pay the entire amount of a "Stability Tax" related to VLTs and AWP, regardless of whether or not the machines were operated directly by the concession holder.

The aggregate amount of Stability Tax payable by Snaitech for 2015 was determined by an ADM decree implementing the Stability Law 2015 to be EUR 37.8 million, whilst the Stability Tax payable by Cogetech (now a subsidiary of Snaitech) was determined to be EUR 47 million, each to be paid in two instalments:

- (a) 40 per cent by 30 April 2015; and
- (b) 60 per cent by 31 October 2015.

Subsequently, Snaitech has tried to renegotiate the commercial agreements with the machine operators to recharge part of the Stability Tax to them.

In February 2015 (jointly with other concession holders of VLTs and AWP), Snaitech and Cogetech brought a claim before the Lazio Regional Administrative Court requesting a suspension of the ADM decree and a referral of the issue to the Constitutional Court due to the lack of proportionality and reasonableness of the Stability Tax.

On 22 October 2015, such requests of the suspension of the decree were rejected by the Lazio Regional Administrative Court. This rejection was upheld on appeal.

On 16 December 2015, the Lazio Regional Administrative Court referred the issue of the alleged breach of the Italian Constitution in respect of the Stability Law 2015 to the Constitutional Court.

The Constitutional Court hearing has been scheduled for 8 May 2018. In the meantime, the judgement of the Lazio Regional Administrative Court has been suspended.

Both Snaitech and Cogemat have paid what they believe to be their respective obligations in respect of the Stability Tax to ADM and notified ADM of those operators who have not paid their relevant proportion of the Stability Tax.

Consequently, the maximum aggregate residual liability of Snaitech and Cogemat in respect of the Stability Tax is EUR 28.18 million. Snaitech has informed the relevant operators that it will seek to recover such amounts from them in the event that the Constitutional Court rules that Snaitech and Cogemat are obliged to pay the Stability Tax, regardless of whether or not the machines were directly operated by Snaitech or Cogemat.

7.2.2 Related proceedings brought by the operators

On 17 December 2015, Acilia Games S.r.l. (together with another 435 POS operators in the legal gaming segment) launched proceedings against Snaitech (together with other concession holders) requesting the following:

- a declaration that the POS operators are not bound to pay their share of the Stability Tax as notified to them by Snaitech and the other concession holders;
- a declaration that Snaitech and other concessions holders had carried out illegal actions against the POS operators resulting from, inter alia, anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependency and/or abuse of rights. The POS operators have also requested that the Court prevent the concession holders from performing such actions under penalty of payment of EUR 10,000 for each alleged breach and for each single claimant;
- a declaration that the attempted renegotiation of the POS operator agreements by Snaitech and the other concessions holders were unilateral and are against the general duty of good faith;
- a declaration that the POS operator agreements between the concessions holders and the POS operators are valid and effective as they were in force on the effective date of the Stability Law 2015; and
- that Snaitech and the other concessions holders are required to renegotiate the POS operator agreements in good faith and without imposing unilateral terms and conditions on the operators. To this effect, the POS operators have requested that the Court require Snaitech and the other concessions holders to pay the amount of EUR 10,000 for each breach and for each single claimant.

The Court hearing was held on 27 March 2018 and Snaitech is waiting for judgement to be handed down in due course.

In addition, in July 2016 R.A. Elettronica, a POS operator, commenced proceedings against Snaitech before the Court of Lucca and the Court of Milan, to obtain:

- a declaration that all the amounts requested from R.A. Elettronica by Snaitech in respect of the Stability Tax are not payable by it;
- a declaration that R.A. Elettronica had not breached its POS operator contract obligations owed to Snaitech; and
- an order requiring Snaitech to repay any amounts unduly received or to be received by Snaitech, in respect of the above together with interest thereon.

A hearing before the Court of Lucca was held on 16 March 2018 and Snaitech is waiting for judgement to be handed down in due course, and a hearing before the Court of Milan, has been scheduled for 4 July 2018.

7.2.3 *Lodo di Majo (Di Majo award)*

At the end of the 1990's, various horse betting concession holders (including Snaitech) brought proceedings against the Finance Ministry and the Agriculture Ministry (the “**Ministries**”), alleging various payment delays and breaches by the Ministries.

The proceedings were first heard in 2003, when an Arbitration Panel found that the Ministries were liable and ordered them to compensate the concession holders (the “**Di Majo Award**”).

The compensation awarded to Snaitech for the period up to 30 June 2006 was EUR 2,498,000. The compensation payable to Snaitech for the following years has not yet been determined.

The Ministries filed an appeal against that decision before the Rome Court of Appeal.

Outside of the legal proceedings, on 22 June 2010 Assosnai (the trade body of the relevant concessionaires) proposed a settlement of the dispute consisting of:

- an off-set of the damages awarded against the Ministries against the amounts payable to ADM by the horse betting concessionaires under the terms of their concessions; and
- the withdrawal of the appeal by the Ministries to the Rome Court of Appeal,

(the “**Settlement Proposal**”).

In 2011, ADM issued a decree which authorised Snaitech to set off the amounts receivable from the Di Majo Award against amounts payable to ADM by Snaitech as a concession holder. Accordingly, Snaitech set off the EUR 2,498,000 that it had been awarded in respect of the period up to 30 June 2006 against the amounts payable to ADM under the relevant concessions.

As a result of the decree, some of the original horse betting concession holders assigned their potential receivables arising from the Di Majo Award to Snaitech, so as to allow Snaitech to set-off these receivables with the amounts payable to ADM by said concession holders. Snaitech paid the consideration for these receivables which was put into an escrow account pending the final judicial determination of the issue. On 21 November 2013, the Court of Appeal in Rome declared that the Di Majo Award was void because the Arbitration Panel had adjudicated upon matters outside its competence. Snaitech appealed that judgement to the Supreme Court (Cassazione) and the judgement is pending and the date for the hearing is still yet to be fixed.

In the event that the Supreme Court upholds the verdict of the Rome Court of Appeal, Snaitech, absent any final agreement on the Settlement Proposal or other agreements to settle the dispute, will be required to repay the amount Snaitech has offset against payments due to ADM on the basis of the Di Majo Award (which includes the amount of receivables that the original concession holders assigned to Snaitech). In these circumstances, Snaitech may seek to recover some of these amounts by releasing back to it the amount held in the escrow account.

Following the verdict of the Rome Court of Appeal, ADM reclaimed repayment of EUR 3,702,000, representing part of the amount Snaitech had already set-off against monies it owed to ADM. Snaitech filed a motion to request either the dismissal or the suspension of the ADM claim for repayment until the verdict of the Supreme Court is given.

7.2.4 *Malfunctioning of the Barcrest VLT platform*

On 16 April 2012, Snaitech experienced a severe malfunction on the Barcrest gaming system (one of the VLT platforms Snaitech was using at the time) which caused the issue of an exceptionally high number (242) of alleged “jackpot” tickets for differing amounts, many of which were significantly higher than the regulatory limit for a winning ticket (of EUR 500,000). Subsequently, a number of players holding such “jackpot” tickets sued Snaitech, claiming payment of the amounts indicated on the “jackpot” tickets and/or compensation for damages. Snaitech has contested a number of these claims in Court both in

fact and law and contested that, as already communicated to the market and to ADM, that no “jackpot” was validly awarded at any time on 16 April 2012.

To date, around one hundred lawsuits have been filed against Snaitech by such ticketholders. As at 9 May 2018 (being the latest practicable date prior to the date of this Circular), more than 60 per cent of those proceedings have been either (i) adjudicated in Court in favour of Snaitech (in each of these proceedings, the Court ruled that on 16 April 2012 there was no “jackpot”), (ii) settled by the parties; or (iii) discontinued (and not capable of being continued) because either the ticketholder did not appeal the judgement issued by the Court of first instance or did not resume the case after the declaration by the Court of a lack of competence of the claimant. As at 9 May 2018 (being the latest practicable date prior to the date of this Circular), 27 of the lawsuits filed against Snaitech are still ongoing.

7.2.5 Civil claim filed against Snaitech by Prestige Potenza S.r.l.s. and Prestige Barbera S.r.l.s.

On 28 April 2014, Prestige Potenza S.r.l.s., and on 9 June 2014, Prestige Barbera S.r.l.s. (Prestige Potenza S.r.l.s. and Prestige Barbera S.r.l.s., together the “**Prestige Claimants**”), brought actions against Snaitech (formerly Cogetech Gaming S.r.l.) before the Court of Milan requesting (i) the declaration of a breach by Snaitech of its performance obligations under certain agreements entered into between the parties relating to the transfer of two business branches; (ii) the termination of the relevant agreements; and (iii) the payment of damages by Snaitech arising from such breaches in an amount of approximately EUR 30,000,000.

Snaitech submitted a counter claim to the proceedings and requested the joinder to the proceedings of certain third parties who originally undertook to buy the relevant business branches.

In 2017 the Courts rejected both the claims brought by the Prestige Claimants and Snaitech’s counterclaims and request for joinder. As a result, Snaitech has been ordered to repay (i) the Prestige Claimants’ legal fees in relation to both legal proceedings; and (ii) the lawsuit expenses only with reference to the Prestige Barbera S.r.l.s legal proceedings.

Snaitech has appealed the two judgements and the Prestige Claimants’ have also filed an appeal against such judgements. The relevant proceedings are now pending before the Court of Appeal of Milan. The two appellate proceedings have been combined into one proceeding by the appellate judge and the hearing has been scheduled for 6 June 2018.

7.2.6 Disputes with ADM relating to the betting business: guaranteed minimum amount/services

Snaitech has previously received several notices from ADM regarding reduced activities on certain of its horse racing and sports concessions for the period from 2006 to 2013. These notices requested further payments from Snaitech to ADM to supplement the annual guaranteed minimum amount payable to ADM pursuant to certain provisions included in such concessions.

These payment claims have always previously been successfully challenged by Snaitech. The Constitutional Court ruled on 20 November 2013 that such payment claims were inconsistent with the Italian Constitution. ADM have not appealed such ruling.

In order to extend the relevant limitation period for such claims by ADM against Snaitech in respect of the period from 2006 to 2013, ADM made a further claim against Snaitech on 5 December 2017 for approximately EUR 3.2 million. The Company has responded to these claims stating their illegitimacy and awaits a response from ADM.

Snaitech has challenged a similar claim by ADM (notified on 14 June 2013) for approximately EUR 300,000 in respect of such payments relating to Cogetech’s activities in 2012. A hearing in relation to this claim has yet to be scheduled.

8. Significant change

Playtech

- 8.1 There has been no significant change in the financial or trading position of the Playtech Group since 31 December 2017, being the date to which Playtech prepared its last audited financial statements.

Snaitech

- 8.2 There has been no significant change in the financial or trading position of the Snaitech Group since 31 December 2017, being the latest date to which the historical information in Part III of this Circular was prepared.

9. Working capital

The Company is of the opinion that the Enlarged Group has sufficient working capital available for its present requirements, that is, for at least the period of 12 months from the date of this document.

10. Related Party Transactions

Other than those matters referred to in Note 28 to the Financial Statements of the Playtech Group for the year ended 31 December 2017, which are incorporated by reference into this document; those matters referred to in Note 28 to the Financial Statements of the Playtech Group for the year ended 31 December 2016, which are incorporated by reference into this document, those matters referred to in Note 28 to the Financial Statements of the Playtech Group for the year ended 31 December 2015, which are incorporated by reference into this document, during the period commencing on 1 January 2015 and terminating on the date of this document, the Company has not entered into any related party transaction.

11. Profit Forecast

On 9 March 2018, Snaitech published its preliminary financial information for the year ended 31 December 2017 which included the following wording:

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

This statement has been deemed to constitute a profit forecast in respect of Snaitech for the purposes of the Listing Rules on the basis that it implies a figure for the likely level of profits or losses of Snaitech for a subsequent financial period.

Basis of preparation

The Company understands that the profit forecast was made on the basis of the Snaitech board's approval of an update to its existing Business Plan 2017-2019, whereby it was updated (i) to include the financial year ending 31 December 2020; and (ii) to reflect new regulations affecting the Italian gambling sector which have recently been introduced, primarily: increased tax rates on gaming machines, a legally required reduction in AWP by 35 per cent in 2018, and a further postponement by one year of the public tender process for the award of the new betting concession.

The Company understands that the profit forecast was made on a consistent basis with the accounting policies adopted by Snaitech in the preparation of its audited consolidated financial statements for the year ended 31 December 2017. The Company understands that as at 9 May 2018 (being the latest practicable date prior to the date of this Circular), there have been no material changes or amendments to the accounting policies since 31 December 2017 and Snaitech expects the same policies to be adopted in its financial statements for the year ending 31 December 2018.

Principal assumptions

The Company understands that the profit forecast has been compiled by Snaitech on the basis of the following assumptions:

- assumptions which are within the influence or control of Snaitech's directors:
 - there will be no material change in the operational strategy of Snaitech or the current management in the forecast period;
 - the Business Plan will uphold the following drivers:
 - online business development by introducing new products, improving services and strengthening cross selling activities performed on the retail channel;
 - technological rejuvenation of the POS by the introduction of new self-service betting terminals;
 - evolution of the VLT platforms currently provided to the distribution network in the gaming machines segment, as well as a more focused selection of gaming content and local partners for AWP; and
 - finalisation by the first half of 2018 of the cost synergies plan implemented after the merger with Cogemat.
- assumptions which are outside the influence or control of Snaitech's directors:
 - renewal of the Expired Concession and the Online Gaming Concession;
 - save for known changes, there will be no further or proposed changes in relevant legislation, governmental policy or other regulatory requirements which will materially affect the results of Snaitech;
 - there will be no material adverse change in economic conditions and current trading patterns;
 - there will be no material change in the competitive environment and resulting customer preferences in which Snaitech operates; and
 - there will be no material business interruption, including natural disasters or individual disputes, which would adversely affect Snaitech, its customers or suppliers.

Explanatory statement

In the context of the Transaction, the Directors are of the view that the Snaitech profit forecast for the year ending 2020 is no longer valid. Additionally, Playtech is also of the view that no re-assessment of the profit forecast is required or necessary in order to allow Playtech shareholders to make a properly informed decision regarding the Transaction and the reasons for this are set out below.

Reasons as to why the Snaitech profit forecast is no longer valid

The profit forecast was prepared by Snaitech's directors on the basis of its continued operation as an independent business. Under the ownership of Playtech and as part of the Enlarged Group, there will be a number of strategic and operational changes which will mean that the profit forecast currently outstanding for Snaitech for the year ending 31 December 2020 will not be relevant should the Transaction proceed, including:

1. Change of Control and Strategy

Under the ownership and control of Playtech, the Enlarged Group will seek to execute a number of enhancing operational strategies which will differ from decisions which would have been taken by Snaitech standalone. The profit forecast does not take into account any such circumstances or plans resulting from, or otherwise relating to, the proposed acquisition of Snaitech by Playtech. These

include, following completion of the Initial Acquisition, the Enlarged Group seeking to, at significant cost to the Enlarged Group:

- leverage the Playtech Group's proprietary technology and turnkey solutions, delivering its omni-channel capabilities to Snaitech's target market and audience. Whilst Italy is the biggest market by gross gaming revenue in Europe with GGR over EUR 20 billion, this strategy aims to capitalise on the online potential, where the Italian market remains less sophisticated and developed with online penetration still only 7 per cent, compared to more mature markets such as the UK which stands at 41 per cent. In particular, focus will be put on increasing bespoke content, product, marketing campaigns and customer experience across the online offering, with cross-selling a key factor of the omni-channel product suite. The opportunity is for the combination of Playtech and Snaitech to leverage the Snaitech brand in retail and translate that into multi-product cross-selling online;
- roll-out a large suite of new VLTs for Snaitech, leveraging the highly competitive performance of our VLTs (second-best as of the end of 2017) against the total potential Snaitech capacity, with just 8 per cent of the overall number of VLTs operated by Snaitech being from Playtech currently;
- digitise more parts of the sports offering and deploy a large suite of new PBS SSBTs alongside the proprietary Snaitech SSBT solution. Snaitech will benefit from Playtech's focus and investment into a bespoke sports solution which was designed specifically for the Italian market;
- accelerate the growth of the Snaitech digital arm by making changes to the user interface and experience, as well as deploying best in class marketing methodologies, both of which the Directors believe will additionally create a material cross sell opportunity; and
- optimise the Snaitech back end infrastructure, by migrating the Snaitech operations onto one technology stack allowing Snaitech to better control its offering, have better insight across players activities and the tools to better serve its customers. It will also introduce a new layer of data analytics and innovative tools that will provide exciting insights across the business as well as new responsible gambling tools for the benefit of customers and Snaitech.

2. Material cost and revenue synergies

The Directors believe that the Initial Acquisition will result in the Enlarged Group achieving synergies which, once fully implemented, will improve Snaitech's financial contribution to the Enlarged Group. Playtech management believes that the Enlarged Group:

- can achieve run rate cost synergies of approximately EUR 10 million per annum, to be achieved within three years, which have been identified by cost area or relevant business segment, including VLTs, Sports and Virtual Races, IT & Platform, G&A; and
- will be able to deliver strong revenue synergies through effective cross-selling and sharing of information, given the combined expertise of both the Playtech and Snaitech management teams across retail and online products, CRM and marketing.

3. Costs incurred as a result of the Transaction

The costs of restructuring and integrating Snaitech following completion of the Initial Acquisition are expected to be approximately EUR 14 million over the first three years of operations of the Enlarged Group. These costs were not factored into the profit forecast by Snaitech.

4. Period covered by the profit forecast is significantly long-term in nature

The profit forecast relates to the year ending 31 December 2020 which is substantially far into the future and, by their very nature, future results become less predictable with each successive year,

notwithstanding also the impact of the strategic initiatives, synergies and integration costs outlined above.

5. Assumptions and judgement underpinning the profit forecast are subjective

The assumptions upon which the profit forecast was based involve subjective judgements in relation to, among other things, future economic, competitive and regulatory conditions, all of which are difficult to predict accurately and many of which are beyond the control of Snaitech's directors, and furthermore may differ from assumptions or judgements made by the Directors.

Consequently, the profit forecast does not reflect the Directors' view of Snaitech's future financial contribution to the Enlarged Group upon completion of the proposed acquisition of Snaitech and therefore the profit forecast is considered to be no longer valid.

Reasons as to why no re-assessment of the profit forecast is required

As outlined above, Playtech will be applying its own strategic plan to Snaitech. The overall impact on Snaitech's business in the year 2020 of Playtech's strategic and operational initiatives is yet to be fully determined and is subject to a number of a market factors which Playtech is unable to forecast accurately. In addition, by the time at which these strategic and operational initiatives have been employed, the Snaitech business will not be reported on as a standalone division within Playtech. Playtech intends to include Snaitech's financial results as part of its current reporting framework within the B2C Gaming segment. Playtech does not currently make profit forecasts for any part of its business, including the B2C Gaming segment, and does not intend to begin doing so. Making a profit forecast about a part of a division which is not separately reported on would not be meaningful to shareholders and may be misleading.

On the basis of the above, the Directors believe that it is not necessary or appropriate to reassess the profit forecast made by Snaitech management for the year 2020, and that they have provided sufficient clarity as to the strategic rationale and financial effects of the Transaction to allow shareholders to make an informed view of the Transaction and the implications for the Snaitech business and its prospects under Playtech's ownership.

12. Information incorporated by reference

Your attention is drawn to the following information which is incorporated by reference into this Circular:

<i>Document</i>	<i>Section</i>	<i>Page numbers in such document</i>
Annual Report and Accounts of the Company for the year ended 31 December 2017	Note 28 – Related Parties and Shareholders	148 – 149
Annual Report and Accounts of the Company for the year ended 31 December 2016	Note 28 – Related Parties and Shareholders	145 – 146
Annual Report and Accounts of the Company for the year ended 31 December 2015	Note 28 – Related Parties and Shareholders	120 – 121

13. Consents

- 13.1 UBS has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 13.2 BDO LLP has given and has not withdrawn its written consent to the inclusion in this document of its report in Section B of Part IV in the form and context in which it appears.

14. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at Ground Floor, St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

- (a) the memorandum and articles of incorporation of the Company;
- (b) the Annual Reports and Accounts of the Company, including the audited consolidated accounts and the independent auditors' reports for each of the years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- (c) the report on the Unaudited Pro Forma Financial Information set out in Section B of Part IV of this document;
- (d) the consent letters referred to in paragraph 13 above;
- (e) the Sale and Purchase Agreement; and
- (f) this Circular and the Form of Proxy.

Dated: 11 May 2018

PART VI

DEFINITIONS

The following definitions apply throughout this document, unless stated otherwise:

2016 Snaitech Refinancing	the entering into of the 2016 Snaitech Revolving Credit Facility and the cancellation of a revolving credit facility dated 27 November 2013, the 2016 Tender Offer, issue of the 2021 Snaitech Notes and the application by Snaitech of the proceeds of issue of the 2021 Snaitech Notes, together with cash on balance sheet, to satisfy and discharge and ultimately redeem the entire outstanding principal amount of the 2018 Snaitech Notes, plus accrued interest and premium, and pay certain fees and expenses in connection with such transactions
2016 Snaitech Revolving Credit Facility	the revolving credit facility of Snaitech available pursuant to the 2016 Snaitech Revolving Credit Facility Agreement
2016 Snaitech Revolving Credit Facility Agreement	the agreement entered into on or prior to 7 November 2016 amongst Snaitech, the several mandated lead arrangers named therein, UniCredit Bank AG, Milan Branch as agent and security agent and the original lenders named therein
2016 Tender Offer	Snaitech's offer announced on 1 November 2016 and completed on 15 December 2016 to purchase for cash the 2018 Snaitech Notes
2018 Mirror Notes	Snaitech's EUR 110,000,000 7.625 per cent. senior secured notes due 2018 issued on 28 July 2015
2018 Senior Secured Notes	Snaitech's EUR 320,000,000 7.625 per cent. senior secured notes due 2018 issued on 4 December 2013
2018 Senior Subordinated Notes	Snaitech's EUR 160,000,000 12.000 per cent. senior subordinated notes due 2018 issued on 4 December 2013
2018 Snaitech Notes	the 2018 Mirror Notes, the 2018 Senior Secured Notes and the 2018 Senior Subordinated Notes
2021 Fixed Rate Notes	Snaitech's EUR 320,000,000 aggregate principal amount of 6.375 per cent. senior secured notes due 2021
2021 Floating Rate Notes	Snaitech's EUR 250,000,000 senior secured floating rate notes due 2021
2021 Snaitech Notes	the 2021 Fixed Rate Notes and 2021 Floating Rate Notes
Act	the UK Companies Act 2006, as amended from time to time
ADI	gaming machines including AWP's and VLT's
ADM	the <i>Agenzie delle Dogane e dei Monopoli</i> , formerly the <i>Amministrazione Autonoma dei Monopoli di Stato</i> , the Italian gaming regulatory authority
Antitrust Authority	the European Commission, the <i>Autorita Garante della Concorrenza e del Mercato</i> and/or any regulatory or administrative authority competent to issue the clearances, approvals and/or consents which shall be obtained pursuant to the applicable merger control rules in order to allow the parties to consummate the Transaction

Antitrust Clearance	any approval, decision not to open any investigation, statutorily relevant lapse of time, clearance or exemption by the Antitrust Authority, either conditional or unconditional, to the extent that any such approval, decision not to open any investigation, statutorily relevant lapse of time, clearance or exemption is required under any applicable Laws in relation to the Transaction
Articles	the articles of association of the Company, as amended from time to time
Bersani Concessions	the Bersani Horse Race Concession and the Bersani Sport Concession as defined below
Bersani Horse Race Concession	the concession No. 4311 for the setting-up and management of the network for the sale of horse racing public games, pursuant to Article 38, paragraph 4 of the Italian Law Decree No. 223/2006 entered into between the Company and ADM on 6 April 2007
Bersani Sport Concession	the concession No. 4028 for the setting-up and management of the network for the sale of public games for sport events (other than horse racing) and non-sport events, pursuant to Article 38, paragraph 2 of the Italian Law Decree No. 223/2006, entered into between the Company and ADM on 28 March 2007
Betting Concessions	the Bersani Concessions, the Giorgetti Concession and the Monti Concession
Board	the board of the Company comprising the Directors
Bridge Financing Debt Facility	a euro term loan facility in an aggregate principal amount equal to EUR 1.04 billion provided pursuant to the Bridge Loan Agreement
Bridge Loan Agreement	an English law governed secured facility agreement dated 11 April 2018 and made between, amongst others, (1) the Company as the borrower; (2) the Company, Playtech Software Limited, TradeTech Holding Limited, Technology Trading IOM Limited, Playtech Services (Cyprus) Limited, Playtech Bidco and Pluto Holdings (Italia) S.p.A as original guarantors; (3) Santander UK plc London Branch, National Westminster Bank plc, UBS AG and Unicredit Bank AG as mandated lead arrangers; (4) the financial institutions as listed therein as lenders; (5) Santander UK plc as agent; and (6) The Law Debenture Trust Corporation plc as security agent
Circular	this document
Cogemat	Cogemat S.p.A.
Cogemat Group	Cogemat S.p.A. and its subsidiaries
Company or Playtech	Playtech PLC
Completion	completion of the Initial Acquisition in accordance with the terms of the Sale and Purchase Agreement
Concession(s)	each and all of the concessions held by the Company, i.e. the Bersani Concessions, the Gaming Machine Concession, the Giorgetti Concession, the Online Gaming Concession and the Monti Concession

Consob	<i>Commissione Nazionale per le Società e la Borsa</i> , the supervisory authority for the Italian financial products market
CREST	the paperless settlement system operated by Euroclear to facilitate the transfer of title to, and the holding of, shares in uncertificated form
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
CREST Proxy Instruction	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual
Directors	the directors of the Company, as set out on page 4 of this document
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules of the FCA made in accordance with section 73A of FSMA
EEA	the European Economic Area
Enlarged Group	the Playtech Group as enlarged by the Transaction
EU	European Union
Euro or EUR	the official currency of certain of the member states of the European Union
Euroclear	Euroclear UK & Ireland Limited
Expired Concessions	the Bersani Horse Race Concession, Bersani Sports Concession, the Giorgetti Concession and the Monti Concession
FCA	the Financial Conduct Authority
Form of Proxy	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting
FSMA	the Financial Services and Markets Act 2000 (as amended)
Gaming Machines Concession	the concession for the realisation and operation of the network for the electronic management of betting through AWP machines and VLT pursuant to Article 110, paragraph 6 of TULPS (as defined below), entered into between the Company and ADM on 20 March 2013 and additional deed (<i>atto aggiuntivo</i>) dated 25 January 2017
General Meeting	the general meeting of the Company to be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man at 11.00 a.m. on 29 May 2018 (or any adjournment thereof), notice of which is set out at the end of this document
Global Games	Global Games S.p.A

Initial Acquisition	the proposed acquisition by Playtech Bidco of the 70.561 per cent of the issued share capital of Snaitech owned by the Sellers pursuant to the Sale and Purchase Agreement
Laws	any EU or national, regional, provincial or local law, statute, ordinance, rule, regulation, code, order, judgement, injunction or decree, as well as any regulation (including, without any limitation, any concession awarded to Snaitech and/or any of its subsidiaries and any concession agreements to which Snaitech and/or any of its subsidiaries are party) issued by any independent authority
Listing Rules	the Listing Rules of the FCA made in accordance with section 73A of FSMA
Mandatory Takeover Offer	the mandatory takeover offer (<i>offerta pubblica di acquisto</i>) for the remaining Snaitech Shares triggered by the completion of the Initial Acquisition
MEF	the Italian Ministry of Economy and Finance
Milan Stock Exchange	the Milan Stock Exchange (<i>Borsa Italiana</i>)
OI Games	OI Games SA
Online Gaming Concession	the concession for the management of online sports betting and virtual races, horse race betting, poker and skills games, pursuant to Article 24, paragraph 13, lett. a) of Italian Law No. 88/2009, entered into between the Company and ADM on 11 October 2011
Ordinary Shares	ordinary shares of no par value in the capital of the Company
PBS	Playtech BGT Sports Limited
Playtech Bidco	Pluto (Italia) S.p.A
Playtech Group	the Company and its subsidiaries from time to time
POS	the point of sale whereby betting and ADI services are provided
Prospectus Rules	the rules made for the purposes of Part VI of FSMA in relation to the offer of securities to the public and admission of securities to trading on regulated markets
RCF	a euro revolving credit facility in an aggregate principal amount equal to EUR 250 million provided pursuant to the Bridge Loan Agreement
Registrars	Computershare Investor Services (Jersey) Limited, c/o, The Pavilions, Bridgwater Road, Bristol BS99 6ZY
Resolution	the ordinary resolution to approve the Transaction as set out in the notice of General Meeting at the end of this document
Sale and Purchase Agreement	the sale and purchase agreement between the Sellers and Playtech Bidco dated 11 April 2018 in connection with the Transaction details, which are set out in paragraph 6.1 of Part V of this document
Sellers	Global Games and OI Games
Shareholders	the holders of the Ordinary Shares

Snaitech	Snaitech S.p.A
Snaitech Group	Snaitech and its subsidiaries from time to time
Snaitech Shares	the entire issued share capital of Snaitech and each a “ Snaitech Share ”
subsidiary or subsidiaries	as defined in section 1159 of the Act (as amended)
TradeTech Group	TradeTech Holding Limited and each of its subsidiaries from time to time
Transaction	(i) the Initial Acquisition and (ii) the purchase by any member of the Playtech Group of any additional Snaitech Shares whether pursuant to the Mandatory Takeover Offer, on or through the Milan Stock Exchange, by private treaty, pursuant to any “squeeze out” or “sell out” right under Italian law or otherwise
TULPS	the Royal Decree No. 773/1931 (<i>Testo Unico di Pubblica Sicurezza</i>)
TULPS Licence	the licence issued under the TULPS to the relevant applicant for the carrying out of betting and gaming activity and the installation of gaming machines inside the POS
UBS	UBS Limited of Broadgate Circle, 5 Broadgate, London, EC2M 2QS

PART VII

GLOSSARY

AWP	amusement with prize, an industry term commonly used to refer to an electronic slot machine game device, which in Italy must comply with the technical requirements issued by ADM
B2B	business to business
B2B2C	business to business to consumer
B2C	business to consumer
CAGR	compound annual growth rate
CRM	client relationship management
EBITDA	earnings before interest, tax, depreciation and amortisation
EPS	earnings per share
EURIBOR	Euro Interbank Offered Rate
FIFA	<i>Fédération Internationale de Football Association</i> , the international body of association football, futsal and beach football
G&A	general and administrative expenses
GDP	Gross Domestic Product, being the total value of goods produced and services provided in a country during one year
GGR	gross gaming revenue
online	unless the context otherwise requires, shall include communications using the internet, mobile and tablet
PREU	<i>prelievo erariale unico</i> , a tax paid to ADM in connection with gaming machine concessions
R&D	research and development
SCIA	<i>segnalazione certificata di inizio attività</i> , being a certified reporting of the initiation of business activities
SSBT	self-service betting terminals
UEFA	Union of European Football Associations, the governing body for football for fifty-four European and Asian countries
UNIRE	<i>Unione Nazionale Incremento Razze Equine</i> , being the National Horse Breeding Union
VLT	an industry term commonly used to refer to an electronic video lottery game device, which in Italy must comply with the technical requirements issued by ADM

NOTICE OF GENERAL MEETING

PLAYTECH PLC

(Incorporated in the Isle of Man with registered number 008505V)

Notice is given that a General Meeting of Playtech PLC (the “**Company**”) will be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man on 29 May 2018 at 11.00 a.m. to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution.

Ordinary Resolution

THAT:

- (a) the acquisition by Pluto (Italia) S.p.A. of the issued share capital of Snaitech S.p.A. owned by Global Games S.p.A. and OI Games SA pursuant to the terms set out in the sale and purchase agreement dated 11 April 2018; and
- (b) the purchase by Playtech Plc, or any of its subsidiaries from time to time, of any additional issued share capital of Snaitech S.p.A. whether pursuant to a mandatory takeover offer, on or through the Milan Stock Exchange, by private treaty, pursuant to any “squeeze out” or “sell out” right under Italian law or otherwise,

be and is hereby approved, and that the directors of Playtech Plc (the “**Directors**”) (or a committee of the Directors) be and are hereby authorised to do or procure to be done all such acts and things as they may consider necessary, expedient or appropriate in connection with any part of the matters listed in (a) and (b) above and to agree such modifications, variations, revisions, waivers or amendments to the documents relating to any part of such matters (provided that any such modifications, variations, revisions, waivers or amendments are not of a material nature for the purposes of the UKLA’s Listing Rule 10.5.2), as the Directors may in their absolute discretion think fit.

Voting on the resolution will be by way of a poll

BY ORDER OF THE BOARD

Brian Moore

Company Secretary

Registered Office:

Ground Floor St

George’s Court

Upper Church Street

Douglas

Isle of Man IM1 1EE

11 May 2018

Notes to the Notice of General Meeting

1. The Company specifies that only those holders of Ordinary Shares registered in the register of members of the Company as at 6.00 p.m. on 24 May 2018 (or 6.00 p.m. on the day that is two days before any adjourned meeting) shall be entitled to attend (either in person or by proxy) and vote at the meeting, or any adjourned meeting, in respect of the number of shares registered in their names at that time. Any changes to the register of members after 6.00 p.m. on 24 May 2018 (or 6.00 p.m. on the day that is two days before any adjourned meeting) shall be disregarded in determining the right of any person to attend and vote at the meeting.
2. Information regarding the meeting is available from the Company's website at www.playtech.com.
3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006 (Isle of Man), shareholders who hold shares in uncertificated form must be entered on the Company's share register at 6.00 p.m. on 24 May 2018 (or, if the meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) in order to be entitled to attend and vote at the meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the meeting. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.
5. A form of proxy is enclosed with this notice for use in connection with the business set out above. To be valid, forms of proxy and any power of attorney or other authority under which it is signed must be lodged with Computershare Investor Services (Jersey) Limited, c/o, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible but in any event must be received not later than 11.00 a.m. on 24 May 2018 (or, if the meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting). Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting or at any adjournment thereof in person.
6. As an alternative to completing and returning the printed form of proxy, you may submit your proxy electronically by accessing www.investorcentre.co.uk/eproxy. For security purposes, you will be asked to enter the control number, your shareholder reference number (SRN) and personal identification number (PIN) to validate the submission of your proxy online. The control number and members' individual SRN and PIN numbers are shown on the printed form of proxy or email notification. For further information, see the instructions printed on the form of proxy.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Ltd.'s specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, must be transmitted so as to be received by the Issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Ltd does not make available special procedures in CREST for any particular message. Normal systems timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitation of the CREST systems and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 18(4) (a) of the Uncertificated Securities Regulations 2006 (Isle of Man).
10. A corporation which is a member may by resolution of its directors or other governing body authorise a person to act as its representative who may exercise, on its behalf, all its powers as a member, provided that they do not do so in relation to the same shares. A certified copy of any such resolution must be deposited at the registered office of the Company not less than 48 hours before the time appointed for the meeting to be valid.

11. Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that the shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgment of an electronic proxy form, that is found to contain any virus will not be accepted.
12. As at 5.00 p.m. on 10 May 2018, the Company's issued share capital comprised 317,344,603 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on 10 May 2018 is 317,344,603. The website referred to in note 2 will include information on the number of shares and voting rights.
13. Voting on the resolution will be conducted by way of a poll rather than on a show of hands as this is considered by the Board to reflect the views of shareholders more accurately. As soon as practicable, following the meeting the results of voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of the resolution will be announced via a Regulatory Information Service and also placed on the Company's website referred to at note 2 above.
14. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted) calling our shareholder helpline on +44 (0)870 707 4040. You may not use any electronic address provided either: (i) in this notice of general meeting; or (ii) any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

