http://www.oblible.com

OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

Schumann S.p.A.

to acquire

Sisal Group S.p.A.

€725,000,000 Senior Secured Notes

€325,000,000 Senior Secured Floating Rate Notes due 2022

€400,000,000 7.00% Senior Secured Fixed Rate Notes due 2023

Schumann S.p.A., a joint stock company (*società per azioni*) incorporated and existing under the laws of Italy (the "**Issuer**"), is offering €325,000,000 million aggregate principal amount of its Senior Secured Floating Rate Notes due 2022 (the "**Senior Secured Floating Rate Notes**") and €400,000,000 million aggregate principal amount of its 7.00% Senior Secured Fixed Rate Notes due 2023 (the "**Senior Secured Fixed Rate Notes**" and, together with the Senior Secured Floating Rate Notes, the "**Notes**") as part of the financing for the proposed acquisition of Sisal Group S.p.A. and its subsidiaries by the Issuer (the "**Acquisition**"). The Issuer is indirectly owned by the CVC Funds (as defined herein).

The Issuer will pay interest on the Senior Secured Floating Rate Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 6.625% per annum, reset quarterly. The Issuer will pay interest on the Senior Secured Floating Rate Notes quarterly in arrears on January 31, April 30, July 31 and October 31 of each year, commencing on October 31, 2016. The Senior Secured Floating Rate Notes will mature on July 31, 2022. At any time prior to July 31, 2017, the Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the relevant "make-whole" premium. At any time on or after July 31, 2017, the Issuer may redeem all or a portion of the Senior Secured Floating Rate Notes, at the redemption prices set forth in this offering memorandum. The Issuer will pay interest on the Senior Secured Fixed Rate Notes semi-annually in arrears on January 31 and July 31 of each year, commencing on January 31, 2017. The Senior Secured Fixed Rate Notes will mature on July 31, 2023. At any time prior to July 31, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Fixed Rate Notes by paying a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the relevant "make-whole" premium. In addition, at any time prior to July 31, 2019, the Issuer may redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate Notes with the net proceeds from certain equity offerings. At any time on or after July 31, 2019, the Issuer may redeem all or a portion of the Senior Secured Fixed Rate Notes, at the redemption prices set forth in this offering memorandum. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. See "*Description of the Notes*".

Pending consummation of the Acquisition, the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date (as defined herein), deposit the gross proceeds of the offering of the Notes into two segregated escrow accounts, each held in the name of the Issuer, but controlled by the Escrow Agent (as defined herein), and pledged on a first-ranking basis in favor of the Trustee (as defined herein) on behalf of the holders of the Notes. The release of the escrowed proceeds to consummate the Acquisition will be subject to the satisfaction of certain conditions described herein. If the Completion Date (as defined herein) does not occur on or prior to January 31, 2017 (the "**Escrow Longstop Date**") or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes plus accrued and unpaid interest, and additional amounts, if any, from the Issue Date to the special mandatory redemption date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*".

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes. On the Issue Date, the Notes will not be guaranteed. Within 90 days following the Completion Date, the Notes will be guaranteed (the "**Guarantees**") on a senior basis by Sisal Group S.p.A., Sisal S.p.A. and Sisal Entertainment S.p.A. (the "**Guarantors**"). On the Issue Date, and prior to the Completion Date, the Notes will be secured by first-ranking security interests in the Notes escrow accounts (the "**Notes Issue Date Collateral**"). On or following the Completion Date within the time periods specified herein, and prior to the completion of the Post-Completion Merger (as defined herein), the Notes will be secured by first-ranking security interests in (i) all the issued capital stock of the Issuer; (ii) all the issued capital stock of Sisal Group S.p.A.; (iii) 99.81% of the issued capital stock of Sisal S.p.A. and all the issued capital stock of Sisal Entertainment S.p.A.; (iv) the receivables of the Issuer under a proceeds loan to be made available by the Issuer to Sisal Group S.p.A. following the Acquisition with part of the proceeds of the Offering (the "**Sisal Group Proceeds Loan**"); (v) the receivables of Sisal Group S.p.A. under a proceeds loan to be made available by Sisal Group S.p.A. to Sisal S.p.A. following the Acquisition with part of the proceeds of the Offering (the "**Sisal Proceeds Loan**"); and (vi) the receivables of Sisal S.p.A. under a proceeds loan to be made available by Sisal S.p.A. to Sisal Entertainment S.p.A. following the Acquisition with part of the proceeds of the Offering (the "**Sisal Entertainment Proceeds Loan**" and, together with the Sisal Group Proceeds Loan and the Sisal Proceeds Loan, the "**New Proceeds Loans**") (the "**Notes Completion Date Collateral**").

Following the Completion Date, we intend to merge the Issuer and Sisal Group S.p.A. (the "**Post-Completion Merger**", and the entity resulting from the Post-Completion Merger, "**MergerCo**"). Following the Post-Completion Merger, the Notes will be guaranteed by Sisal S.p.A. and Sisal Entertainment S.p.A. and secured by first-ranking security interests in (i) all the issued capital stock of MergerCo; (ii) 99.81% of the issued capital stock of Sisal S.p.A. and all the issued capital stock of Sisal Entertainment S.p.A.; (iii) the receivables of MergerCo under the Sisal Proceeds Loan; and (iv) the receivables of Sisal S.p.A. under the Sisal Entertainment Proceeds Loan (the "**Notes Post-Merger Collateral**" and, together with the Notes Completion Date Collateral, the "**Notes Collateral**"). Under the terms of the New Intercreditor Agreement (as defined herein) to be entered into in connection with this Offering, in the event of enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after lenders under the New Revolving Credit Facility (as defined herein) and counterparties to certain hedging agreements have been repaid in full. In addition, the Guarantees and the security interests in the Notes Collateral may be released under certain circumstances and the Guarantees and the Notes Collateral will be subject to legal and contractual limitations. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral*", "*Description of Certain Financing Arrangements—New Intercreditor Agreement*", "*Description of the Notes—Security*" and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

Subject to and as set forth in "*Description of the Notes—Withholding Taxes*", the Issuer will not be liable to pay any additional amounts to holders of the relevant series of Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy and otherwise in the circumstances as described in "*Description of the Notes—Withholding Taxes*".

This offering memorandum includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market. This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 31 of this offering memorandum.

Price for the Senior Secured Floating Rate Notes: 99.00% plus accrued interest from the Issue Date

Price for the Senior Secured Fixed Rate Notes: 100.00% plus accrued interest from the Issue Date

http://www.oblible.com

We expect that the Notes will be delivered in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about July 28, 2016.

This offering memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Issuer is offering the Notes only to (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) ("QIBs") in reliance on Rule 144A, and (ii) non-U.S. persons outside the United States in offshore transactions (as defined in Regulation S under the Securities Act ("Regulation S")) in reliance on Regulation S. For a description of certain restrictions on the transfer of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*".

Joint Global Coordinators and Joint Bookrunners

Morgan Stanley **Credit Suisse** **UniCredit Bank**

Joint Bookrunners

BNP PARIBAS **Deutsche Bank** **UBS Investment Bank**

The date of this offering memorandum is July 27, 2016.

TABLE OF CONTENTS

	Page
IMPORTANT INFORMATION FOR INVESTORS	i
CERTAIN DEFINITIONS	vi
INFORMATION REGARDING FORWARD-LOOKING STATEMENTS	ix
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	xi
CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION	xv
SUMMARY	1
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	23
RISK FACTORS	31
THE TRANSACTIONS	64
USE OF PROCEEDS	66
CAPITALIZATION	67
SELECTED CONSOLIDATED FINANCIAL INFORMATION	68
UNAUDITED PRO FORMA FINANCIAL INFORMATION	70
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	77
INDUSTRY OVERVIEW	123
BUSINESS	133
REGULATION	165
MANAGEMENT	188
PRINCIPAL SHAREHOLDERS	191
RELATED PARTY TRANSACTIONS	192
DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS	193
DESCRIPTION OF THE NOTES	209
BOOK-ENTRY, DELIVERY AND FORM	288
CERTAIN ERISA CONSIDERATIONS	293
CERTAIN TAX CONSIDERATIONS	294
PLAN OF DISTRIBUTION	305
TRANSFER RESTRICTIONS	308
LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS	311
SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS	326
LEGAL MATTERS	327
INDEPENDENT AUDITORS	328
WHERE YOU CAN FIND ADDITIONAL INFORMATION	329
LISTING AND GENERAL INFORMATION	330
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1
GLOSSARY OF SELECTED TERMS	G-1

IMPORTANT INFORMATION FOR INVESTORS

We accept responsibility for the information contained in this offering memorandum and, to the best of our knowledge (having taken reasonable care to ensure that such is the case), the information is true and accurate in all material respects and contains no omission likely to affect the import of such information. As used in this offering memorandum, unless the context otherwise requires, references to the "Issuer" are to Schumann S.p.A. and references to "we", "us", "our", the "Group" are to the Issuer and its consolidated subsidiaries from time to time, including the Sisal Group from the Completion Date.

This document does not constitute a prospectus for the purposes of Section 12(a)(2) of or any other provision of or rule under the Securities Act.

You should rely only on the information contained in this offering memorandum. We have not, and Morgan Stanley & Co. International plc, Credit Suisse Securities (Europe) Limited, UniCredit Bank AG, BNP Paribas, Deutsche Bank AG, London Branch and UBS Limited (the "**Initial Purchasers**") have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum. This offering memorandum is based on information provided by us and other sources believed by us to be reliable. The Initial Purchasers are not responsible for, and are not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. Please see "*Transfer Restrictions*".

In making an investment decision regarding the Notes offered hereby, you must rely on your own examination of the Issuer and the Guarantors and the terms of this Offering, including the merits and risks involved. You should rely only on the information contained in this offering memorandum. We have not, and the Initial Purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations and the information set forth in this offering memorandum may have changed since that date.

You should not consider any information in this offering memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. We are not, and the Initial Purchasers are not, making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under appropriate investment or similar laws. This offering memorandum is to be used only for the purposes for which it has been published.

We obtained the market data used in this offering memorandum from internal surveys, industry sources and currently available information. Although we believe that our sources are reliable, you should keep in mind that we have not independently verified information we have obtained from industry and governmental sources and that information from our internal surveys has not been verified by any independent sources. See "*Market and Industry Data*".

The contents of our website do not form any part of this offering memorandum.

We may withdraw this Offering at any time, and we and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of the Notes sought by such investor. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own accounts.

The application we have made to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market may not be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes and the Guarantees are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A of the Securities Act ("**Rule 144A**"). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this offering memorandum, see "*Transfer Restrictions*".

The Notes and the Guarantees have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes and the Guarantees are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including "*Description of the Notes*" and "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream Banking currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream Banking, we accept no further responsibility in respect of such information.

The distribution of this offering memorandum and the offer and sale of the Notes may be restricted by law in certain jurisdictions. You must inform yourself about, and observe, any such restrictions. See "*Notice to U.S. Investors*", "*Notice to Certain European Investors*", "*Plan of Distribution*" and "*Transfer Restrictions*" elsewhere in this offering memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We are not, and the Initial Purchasers are not, making an offer to sell the Notes or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction except where such an offer or solicitation is permitted.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, MORGAN STANLEY & CO. INTERNATIONAL PLC (THE "STABILIZING MANAGER") (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO U.S. INVESTORS

In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements that are described in this offering memorandum. See "*Transfer Restrictions*". This offering memorandum is being provided to a limited number of investors in the United States that the Issuer reasonably believes to be qualified institutional buyers ("**QIBs**") under Rule 144A for use solely in connection with their consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

For this Offering, the Issuer and the Initial Purchasers are relying upon exemptions from registration under the Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the Securities Act. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the Securities Act and applicable U.S. state securities laws. The Notes described in this offering memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States

or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense. See "*Transfer Restrictions*".

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in member states of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are subject of the offering contemplated in this offering memorandum must only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor any Initial Purchaser has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and amendments thereto (including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State. The expression "2010 PD Amending Directive" means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time:

a) to "qualified investors" as defined in the Prospectus Directive, including persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on Markets in Financial Instruments, and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer; or

c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall result in a requirement for the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this restriction, the expression "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, our legal advisors and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

Germany

In the Federal Republic of Germany, the Notes may only be offered and sold in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the "**Securities Prospectus Act**", *Wertpapierprospektgesetz*, *WpPG*) and any other applicable German law. No application has been made under German law to offer the Notes to the public in or out of the Federal Republic of Germany. The Notes are not registered or authorized for distribution under the Securities Prospectus Act and accordingly may not be, and are not being, offered or

advertised publicly or by public promotion. This offering memorandum is strictly for private use and the offer is only being made to recipients to whom the offering memorandum is personally addressed and does not constitute an offer or advertisement to the public. In Germany, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act or who are subject of another exemption in accordance with Section 3 para. 2 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Italy

The offering of the Notes has not been cleared by *Commissione Nazionale per le Società e la Borsa*, the Italian Securities Exchange Commission ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this offering memorandum or any other offering circular, prospectus, form of application, advertisement, other offering material or other information or document relating to the Issuer, the Guarantors, or the Notes be issued, distributed or published in Italy, either on the primary or on the secondary market, except:

(i) to qualified investors (*investitori qualificati*), as defined by Article 26, first paragraph, letter d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("**Regulation No. 16190**"), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Financial Services Act**") and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 16190 and Legislative Decree No. 385 of September 1, 1993, as amended (the "**Banking Act**"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other competent Italian authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

Grand Duchy of Luxembourg

The offering of the Notes should not be considered a public offering of securities in the Grand Duchy of Luxembourg. This offering memorandum may not be reproduced or used for any other purpose than the offering of the Notes nor provided to any person other than the recipient thereof. The Notes are offered to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

The Notes may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless: (a) a prospectus has been duly approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") pursuant to part II of the Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended (the "**Luxembourg Prospectus Law**"), implementing the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**"), as amended through Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, amending inter alia Directive 2003/71/EC, if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or if Luxembourg is not the home Member State, the CSSF and the European Securities and Markets Authority have been provided by the competent authority in the home Member State with a certificate of approval attesting that a prospectus in relation to the Notes has been drawn up in accordance with the Prospectus Directive and with a copy of the said prospectus; or (c) the offer of the Notes benefits from an exemption from or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg Prospectus Law.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

United Kingdom

This offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise, in this offering memorandum:

- "*2013 Senior Secured Notes*" refers to the €275,000,000 7.250% Senior Secured Notes due 2017 issued by Sisal Holding Istituto di Pagamento S.p.A. (now Sisal Group S.p.A.) to be redeemed in full with a portion of the proceeds of the Notes offered hereby, as described under "*Use of Proceeds*";
- "*ADM*" refers to the *Agenzie delle Dogane e dei Monopoli,* formerly the *Amministrazione Autonoma dei Monopoli di Stato*, the Italian gaming regulatory authority;
- "*Acquisition*" refers to the acquisition by the Issuer of all the issued and outstanding share capital of Sisal Group S.p.A. pursuant to the terms of the Acquisition Agreement, as further described under "*Summary—The Transactions—The Acquisition"*;
- "*Acquisition Agreement*" refers to the sale and purchase agreement dated as of May 27, 2016, as further described under "*Summary—The Transactions—The Acquisition"*;
- "*Clearstream*" refers to Clearstream Banking, *société anonyme*;
- "*Completion Date*" refers to the date on which the Acquisition is completed following the release of the proceeds of the Offering from escrow;
- "*CVC*" refers to CVC Capital Partners Advisory Company (Luxembourg) S.à r.l. and its affiliates;
- "*CVC Funds*" refers to, collectively, CVC Capital Partners VI (A) L.P., CVC Capital Partners VI (B), L.P. CVC Capital Partners VI, (C) L.P. CVC Capital Partners VI, (D) S.L.P., CVC Capital Partners VI Associates L.P. and CVC Capital Partners Investment Europe VI L.P.;
- "*Escrow Agent*" refers to Deutsche Bank AG, London Branch;
- "*Escrow Longstop Date*" means January 31, 2017;
- "*Euroclear*" refers to Euroclear Bank SA/NV;
- "*EU*" refers to the European Union;
- "*Exchange Act*" refers to the U.S. Securities Exchange Act of 1934, as amended;
- "*Existing Senior Secured Credit Facilities Agreement*" refers to the senior credit agreement dated as of October 16, 2006 (as amended and restated from time to time) by and among, inter alios, Sisal Group S.p.A. (formerly Sisal Holding Istituto di Pagamento S.p.A.), The Royal Bank of Scotland Plc, Milan branch as agent and security agent and The Law Debenture Trust Corporation p.l.c. as trustee and agent on behalf of the holders of the 2013 Senior Secured Notes, to be terminated following full repayment of the Senior Secured Credit Facilities with the proceeds of the Notes, as described under "*Use of Proceeds*";
- "*Gaming*" refers collectively to gaming and betting (and "gaming industry" refers collectively to the gaming and betting industry);
- "*Gaming Invest*" refers to Gaming Invest S.à r.l., a *société à responsibilité limitée* incorporated in the Grand Duchy of Luxembourg, the direct parent of Sisal Group prior to the Completion Date;
- "*gross gaming revenue*" refers to turnover (i.e., wagers) less the amounts paid out to players as winnings;
- "*Group*", "*we*", "*us*" or "*our*" refer to the Issuer and its consolidated subsidiaries from time to time, including Sisal Group following the Completion Date;
- "*Guarantees*" refers to the guarantees of the Notes by each of the Guarantors;
- "*Guarantors*" refers to each of the Guarantors described under "*Description of the Notes—Guarantees*";
- "*IFRS*" refers to International Financial Reporting Standards as adopted by the European Union;
- "*Indenture*" refers to the indenture governing the Notes to be dated the Issue Date by and among, *inter alios*, the Issuer, the Trustee and the Security Agent, and to which the Guarantors will accede within 90 days following the Completion Date;
- "*Issue Date*" refers to the date of original issuance of the Notes;
- "*Issuer*" refers to Schumann S.p.A., a joint stock company (*società per azioni*) established under the laws of Italy;
- "*Italian Guarantor*" refers to a Guarantor incorporated under the laws of Italy or granting Notes Collateral governed by Italian law;
- "*LuxCo*" refers to Schumann Investments S.A., the direct parent of the Issuer as of the Issue Date;

- "*MergerCo*" refers to the entity resulting from the Post-Completion Merger;
- "*net gaming revenue*" refers to gross gaming revenue less the amount of taxes payable to the Italian treasury;
- "*New Intercreditor Agreement*" refers to the intercreditor agreement to be entered into on or about the Issue Date, by and among, inter alios, the Issuer, the Trustee, UniCredit Bank AG, Milan Branch, as security agent under the New Revolving Credit Facility and certain lenders and arrangers under the New Revolving Credit Facility;
- "*New Proceeds Loans*" refers to the Sisal Group Proceeds Loan, Sisal Proceeds Loan and Sisal Entertainment Proceeds Loan, collectively;
- "*New Revolving Credit Facility*" refers to the €125.0 million revolving credit facility to be made available to the Issuer pursuant to the New Revolving Credit Facility Agreement, which is described in more detail in "*Description of Certain Financing Arrangements—New Revolving Credit Facility*";
- "*New Revolving Credit Facility Agreement*" refers to the €125.0 million revolving credit facility agreement to be entered into on prior to the Issue Date between, inter alios, the Issuer and UniCredit Bank AG, Milan Branch, as agent, which is described in more detail in "*Description of Certain Financing Arrangements—New Revolving Credit Facility*";
- "*Notes*" refers to the Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes offered hereby;
- "*Notes Collateral*" refers to, as applicable: (i) on or following the Completion Date within the time periods specified herein and prior to the Post-Completion Merger, the Notes Completion Date Collateral, and (ii) after the Post-Completion Merger, the Notes Post-Merger Collateral;
- "*Notes Completion Date Collateral*" has the meaning given to such term under "*Summary—The Offering—Security, Enforcement of Security*";
- "*Notes Issue Date Collateral*" has the meaning given to such term under "*Summary—The Offering—Security, Enforcement of Security*";
- "*Notes Post-Merger Collateral*" has the meaning given to such term under "*Summary—The Offering—Security, Enforcement of Security*";
- "*Offering*" refers to the offering of the Notes hereby;
- "*Post-Completion Merger*" refers to the merger between the Issuer and Sisal Group S.p.A. following the completion of the Acquisition, as further described under "*Summary—The Transactions"*;
- "*Refinancing*" refers to the issuance of the Notes and the application of the proceeds therefrom to entirely refinance the amounts outstanding under the 2013 Senior Secured Notes and the Existing Senior Secured Credit Facilities Agreement, as further described under "*Summary—The Transactions—The Refinancing"*;
- "*Securities Act*" refers to the U.S. Securities Act of 1933, as amended;
- "*Security Agent*" refers to UniCredit Bank AG, Milan Branch, as security agent under the Indenture, the New Intercreditor Agreement and the New Revolving Credit Facility Agreement;
- "*Seller*" refers to Gaming Invest;
- "*Senior Secured Fixed Rate Notes*" refers to the €400.0 million aggregate principal amount of the Issuer's 7.00% senior secured fixed rate notes due 2023 offered hereby;
- "*Senior Secured Floating Rate Notes*" refers to the €325.0 million aggregate principal amount of the Issuer's senior secured floating rate notes due 2022 offered hereby;
- "*Shareholder Loan C*" refers to the subordinated shareholder loan dated as of October 16, 2006 (as amended from time to time), among Sisal Group S.p.A. (formerly, Giochi Holding S.p.A.) as borrower and Gaming Invest as lender, irrevocably and unconditionally canceled by Gaming Invest on or about the Completion Date;
- "*Shareholder Loan ZC*" refers to the subordinated zero coupon shareholder loan dated as of June 25, 2009 among Sisal Group S.p.A. (formerly, Sisal Holding Finanziaria S.p.A.) as borrower and Gaming Invest as lender, irrevocably and unconditionally canceled by Gaming Invest in December 2014;
- "*Shareholder Loans*" refers, collectively, to the Shareholder Loan C and the Shareholder Loan ZC;
- "*Shortfall Agreement*" refers to the agreement between the Issuer and the CVC Funds pursuant to which the CVC Funds will be required to, among other things, fund the Issuer with interest accrued and additional amounts, if any, from the Issue Date to a special mandatory redemption date;
- "*Sisal*" means Sisal S.p.A.;
- "*Sisal Entertainment*" means Sisal Entertainment S.p.A.;

- "*Sisal Entertainment Proceeds Loan*" refers to the loan of a portion of the proceeds of the Offering to be made within 90 days following the Completion Date by Sisal, as lender, to Sisal Entertainment, as borrower;
- "*Sisal Group*" means Sisal Group S.p.A. and its consolidated subsidiaries from time to time;
- "*Sisal Group Proceeds Loan*" refers to the loan of a portion of the proceeds of the Offering to be made within one business day following the Completion Date by the Issuer, as lender, to Sisal Group S.p.A., as borrower;
- "*Sisal Proceeds Loan*" refers to the loan of a portion of the proceeds of the Offering to be made within 90 days following the Completion Date by Sisal Group S.p.A., as lender, to Sisal, as borrower;
- "*SOGEI*" refers to Società Generale d'Informatica S.p.A., an information and communication technology company owned by the Italian Ministry of Economy and Finance that is generally responsible for, among other things, the operation of the tax IT system;
- "*Transactions*" refers to, together, the Acquisition and the Refinancing;
- "*Trustee*" refers to The Law Debenture Trust Corporation p.l.c., in its capacity as trustee, legal representative (*mandatario con rappresentanza*) under the Indenture, common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code and as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code;
- "*turnover*" refers to the total amount of wagers collected and total amount of payments received from customers in the gaming industry and convenience payment services industry, respectively; and
- "*United States*" or the "*U.S.*" refers to the United States of America.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this offering memorandum are not historical facts and are "forward-looking" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This document contains certain forward-looking statements in various sections, including, without limitation, under the headings "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*", and in other sections where the offering memorandum includes statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and country in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environment in which we operate and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "expect", "suggest", "target", "intend", "predict", "project", "should", "would", "could", "may", "will", "forecast", "plan" and similar expressions or, in each case, their negative or other variations or comparable terminology, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors*", as well as those included elsewhere in this offering memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the existing regulatory framework, and potential changes to that framework or the introduction of more stringent laws and regulations;
- the competitive environment in which we operate, including from online offerings, illegal gaming and a changing regulatory environment that may permit more participants;
- the limited duration of the concessions required to operate our business, and the significant upfront cash payments and performance bonds typically required to acquire or renew gaming concessions or convenience payment services agreements;
- the substantial penalties we face if we fail to perform under our concessions;
- the obligation to transfer certain assets to regulatory authorities upon the expiration of certain concessions;
- the potential exposure to an unfavorable outcome with respect to pending litigation, which could result in substantial monetary damages;
- pending tax proceedings, as well as potential changes in taxation or the interpretation or application of tax laws;
- economic weakness and political uncertainty, particularly in Italy;
- negative perceptions and publicity surrounding the gaming industry;
- our reliance on partners and retailers, as well as third party suppliers;
- the need to maintain the value of our brands and address changes in consumer preferences and technological developments;
- our potential exposure to significant losses on fixed-odds betting products from time to time;
- our exposure to credit risk and related exposure to losses;
- our reliance on key persons and employees and satisfactory labor relations;
- the challenges associated with making acquisitions;
- the impact of sports scheduling and other seasonal factors affecting our business;
- our reliance on credit card payment service providers and other financial institutions;
- the ability of our internal processes and systems to detect money laundering and fraud, and comply with data privacy laws and other applicable laws;
- our ability to maintain the security of our information technology systems and to protect our intellectual property;
- risks associated with the potential impairment of goodwill;

- risks associated with our structure and the interests of our principal shareholders;
- our high leverage and debt service obligations and restrictive debt covenants;
- risks associated with the Notes Collateral, including the ability of holders of the Notes to enforce and realize the value of the Notes Collateral; and
- limitations imposed under Italian insolvency and other laws.

The risks listed above and those further described in the "*Risk Factors*" section of this offering memorandum are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our business, financial condition and results of operations. New risks emerge from time to time and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

We urge you to read carefully the sections of this offering memorandum entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry and Market Data*" and "*Business*" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer is a holding company formed for the purpose of facilitating the Acquisition and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interest in the issued and outstanding shares of its subsidiaries and its outstanding indebtedness and inter-company balances incurred in connection with the Acquisition and the other transactions described in the offering memorandum. We do not present in this offering memorandum any financial information or financial statements of the Issuer. Following the Completion Date, the Issuer will undertake normal acquisition accounting procedures that may affect future financial information of the Group.

All historical financial information included in this offering memorandum is that of Sisal Group S.p.A. and its consolidated subsidiaries. In particular, this offering memorandum includes and presents:

i. the unaudited condensed consolidated interim financial statements of Sisal Group as of and for the three months ended March 31, 2016 (the "**Unaudited Condensed Consolidated Interim Financial Statements**"). The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 "*Interim Financial Reporting*"; and

ii. the audited consolidated financial statements of Sisal Group as of and for the years ended December 31, 2013, 2014 and 2015 (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared in accordance with IFRS and audited by PricewaterhouseCoopers S.p.A.

The Unaudited Condensed Consolidated Interim Financial Statements and the Consolidated Financial Statements include an emphasis of matter paragraph relating to the debt and negative consolidated net equity at March 31, 2016. Disclosure regarding going concern is provided in Note 3 to the Unaudited Condensed Consolidated Interim Financial Statements and Note 2.2 to the Consolidated Financial Statements.

In 2015, we defined a more precise allocation criteria of points of sale revenues among the operating segments, which resulted in a change in revenue and income and EBITDA between the Lottery and Payments and Services segments. The segment information presented in the Consolidated Financial Statements and in this Offering Memorandum for 2014 and 2013 has also been restated for this new allocation criteria in order to present comparable information across all periods. Therefore, it should be noted that the segment information for Lottery and Payments and Services differs from the information that was disclosed in our original financial statements as of and for each of the years ended December 31, 2014 and 2013.

We have also included certain consolidated statement of comprehensive income information and consolidated statement of financial position information as of and for the years ended December 31, 2008, 2009, 2010, 2011 and 2012, each of which has been derived from Sisal Group's audited consolidated financial statements as of and for each of the years then ended. Unless otherwise indicated, all financial information contained in this offering memorandum has been prepared in accordance with IFRS.

The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended March 31, 2016 have been derived by subtracting from the financial information of the 2015 audited consolidated financial statements the comparative financial information of the unaudited interim consolidated financial statements for the three months ended March 31, 2015, and adding the financial information of the unaudited interim consolidated financial statements for the three months ended March 31, 2016. The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended March 31, 2016 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this offering memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

The Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements included in this offering memorandum have not been adjusted to reflect the impact of any changes to the consolidated income statement, the consolidated statement of financial position or the consolidated cash flow statement that may occur as a result of the purchase price allocation ("**PPA**") to be applied as a result of the Acquisition. The application of PPA adjustments could result in different carrying values for existing assets and assets we may add to our consolidated statement of financial position, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements included in this offering memorandum once the PPA adjustments have been made.

We present in this offering memorandum certain financial information on an as adjusted basis to give pro forma effect to the Transactions. See "*Summary—Summary Consolidated Financial Information*", "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and for a description of the pro forma effect of the Transactions, including the issuance of the Notes offered hereby and the application of the proceeds thereof as described in "*Use of Proceeds*", see "*Unaudited Pro Forma Financial Information*". The pro forma financial information gives effect to the Transactions as though they had occurred on April 1, 2015 for the pro forma statement of

comprehensive income information and on March 31, 2016 for the pro forma statement of financial position information. The unaudited pro forma adjustments and the unaudited pro forma financial information set forth in this offering memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ from actual amounts. The pro forma financial information is for informational purposes only and does not purport to present what our results would actually have been had these transactions occurred on the dates presented or to project our results of operations or financial position for any future period or our financial condition at any future date. The unaudited pro forma financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, Prospectus Directive or any other general accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with generally accepted auditing standards.

The Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements contained in the F-pages to this offering memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this offering memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on our results of operations or financial condition, as well as on the comparability of the prior periods.

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or in thousands, have been subject to rounding adjustments and, as a result, the totals of the data in the offering memorandum may vary slightly from the actual arithmetic totals of such information.

USE OF NON-IFRS FINANCIAL MEASURES

Certain parts of this offering memorandum contain non-IFRS measures and ratios, including EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Changes in Trade Working Capital, Capital Expenditures, Net Financial Debt and Net Leverage.

We define EBITDA as profit (or loss) for the period adjusted for: (i) amortization of intangible assets, (ii) depreciation of property, plant and equipment, (iii) impairment of fixed assets and receivables, (iv) finance income and similar, (v) finance expenses and similar, (vi) share of profit/(loss) of companies accounted for using the equity method and (vii) income taxes.

We define EBITDA Margin as EBITDA divided by total revenues and income.

We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring items. Adjusted EBITDA in 2013 includes non-recurring costs of €82.1 million mainly relating to € 73.5 million for the payment settlement of litigation on gaming machines and €4.2 million relating to a provision for litigation with regulatory authorities. Adjusted EBITDA in 2014 includes non-recurring costs of €6.3 million relating to the IPO process and non-recurring income of €1.2 million related to the re-measurement of earn-out on purchase price for acquisition. Adjusted EBITDA in 2015 includes non-recurring income of €2.4 million related to the release of provisions for claims with regulatory authorities offset by non-recurring costs of €2.4 million mainly associated with company reorganization projects.

We define Adjusted EBITDA margin as Adjusted EBITDA divided by total revenues and income.

We define Changes in Trade Working Capital as the sum of the movements in trade receivables, inventories and trade payables extracted from our consolidated statement of cashflows.

We define Capital Expenditures as investments for the period in property, plant and equipment and intangible assets as extracted from our consolidated statement of cashflows.

We define Net Financial Debt as the sum of long-term debt, short-term debt and current portion of long-term debt, less unrestricted cash. The information presented is derived from the consolidated statement of financial position and, in accordance with IFRS, is net of unamortized debt issuance costs.

We define Net Leverage as the result of Net Financial Debt divided by Adjusted EBITDA.

EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Changes in Trade Working Capital, Capital Expenditures, Net Financial Debt and Net Leverage are non-IFRS measures. We use these non-IFRS measures as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. These non-IFRS measures are used by the Group, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. We believe these non-IFRS measures are useful and a commonly used measures of financial performance in addition to operating profit and other profitability measures, cash flow provided by operating activities and other cash flow measures and other measures of financial position under IFRS because they facilitate operating performance, cash flow and financial position comparisons from period to period, time to time and company to company. By eliminating potential differences between periods or companies caused by factors such as depreciation and amortization methods, financing and capital structures, taxation positions or regimes, we believe these non-IFRS measures can provide a useful

additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe these non-IFRS measures and similar measures are regularly used by the investment community as a means of comparison of companies in our industry. Different companies and analysts may calculate EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Changes in Trade Working Capital, Capital Expenditures, Net Financial Debt and Net Leverage differently, so making comparisons among companies on this basis should be done very carefully. EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Changes in Trade Working Capital, Capital Expenditures, Net Financial Debt and Net Leverage are not measures of performance under IFRS and should not be considered in isolation or construed as a substitute for net operating profit or as an indicator of our cash flow from operations, investing activities or financing activities or as an indicator of financial position in accordance with IFRS. For the calculation of EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Changes in Trade Working Capital, Capital Expenditures, Net Financial Debt and Net Leverage, see "*Summary—Summary Financial and Other Information"*.

In addition to EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Changes in Trade Working Capital, Capital Expenditures, Net Financial Debt and Net Leverage, we have included other non-IFRS financial measures in this offering memorandum, some of which we refer to as "key performance indicators". Certain key performance indicators include turnover, gross gaming revenue, net gaming revenue and payout ratio. We believe that it is useful to include these non-IFRS measures as we use them for internal performance analysis and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. These other non-IFRS measures should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. For a description of certain of our key performance indicators, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Line Items and Certain Key Performance Indicators—Other Ratios and Measures*".

MARKET AND INDUSTRY DATA

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Such market and industry data and certain industry forward-looking statements are derived from various industry and other independent sources, where available. In particular, certain information has been derived from ADM data. The information in this offering memorandum that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Notwithstanding the foregoing, such third party information has not been independently verified, and neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in this offering memorandum.

In addition, certain information in this offering memorandum for which no source is given, regarding our market position relative to our competitors in the gaming and betting industry, is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect our best estimates based upon information obtained from trade and business organizations and associations and other contacts within the industries in which we compete, as well as information published by our competitors. To the extent that no source is given for information contained in this offering memorandum, or such information is identified as being our belief, that information is based on the following: (i) in respect of market share, information obtained from the ADM, trade and business organizations and associations and other contacts within the industries in which we compete and internal analysis of our sales data, and unless otherwise stated, market share is based on turnover; (ii) in respect of industry trends, our senior management team's general business experience, as well as their experience in our industry and the local markets in which we operate; and (iii) in respect of the performance of our operations, our internal analysis of our audited and unaudited financial and other information. As some of the foregoing information was compiled or provided by our management or advisers and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third party sources.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. Federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain Tax Considerations*".

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum belongs to its holder.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this offering memorandum:

- $, "dollar" or "U.S. dollar" refers to the lawful currency of the United States; and
- € or "euros" refers to the lawful currency of the participating member states of the European Economic and Monetary Union.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on July 6, 2016 was $1.1089 per €1.00.

	U.S. dollars per €1.00			
	Period-end	**Average[1]**	**High**	**Low**
Year ended				
December 31, 2011	1.2959	1.3982	1.4830	1.2907
December 31, 2012	1.3192	1.2909	1.3458	1.2061
December 31, 2013	1.3743	1.3300	1.3804	1.2780
December 31, 2014	1.2098	1.3207	1.3932	1.2098
December 31, 2015	1.0856	1.1031	1.2103	1.0497

	U.S. dollars per €1.00			
	Period-end	**Average[2]**	**High**	**Low**
Month				
January 2016	1.0832	1.0867	1.0940	1.0747
February 2016	1.0873	1.1104	1.1324	1.0873
March 2016	1.1380	1.1142	1.1380	1.0860
April 2016	1.1446	1.1339	1.1446	1.1220
May 2016	1.1120	1.1298	1.1532	1.1116
June 2016	1.1073	1.1238	1.1399	1.1038
July 2016 (through July 6, 2016)	1.1089	1.1116	1.1148	1.1089

(1) The average of the closing Bloomberg Composite Rate (New York) on the last business day of each month during the relevant period.

(2) The average of the closing Bloomberg Composite Rate (New York) on each business day during the relevant period.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

SUMMARY

This summary highlights certain information about us and the Offering. This summary should be read as an introduction to this offering memorandum. It does not contain all the information that may be important to you or that you should consider before investing in the Notes, and it is qualified in its entirety by the remainder of this offering memorandum. You should read this entire offering memorandum, including the financial statements and related notes, before making an investment decision. You should also carefully consider the information set out in this offering memorandum under the heading "Risk Factors" *for factors that you should consider before investing in the Notes and* "Information Regarding Forward-Looking Statements" *for information relating to the statements contained in this offering memorandum that are not historical facts before making any decision as to whether to invest in the Notes.*

Overview

We are one of the leading operators in the Italian gaming and betting ("**Gaming**") market and have been so for the past 70 years. We offer a broad portfolio of products through physical (or "retail channel") and online channels. Following a diversification strategy, started in 2002, we have continued to strengthen our position as one of the leaders in the Italian payments and services ("**Payments and Services**") market by taking advantage of our widespread presence in local markets, direct access to customers and distribution and technological synergies with our Gaming business.

Through our Gaming business, we offer a broad portfolio of products, including gaming machines ("**Gaming Machines**") (such as slot machines and video lottery terminals ("**VLTs**")), betting and lottery games and online games, such as poker, casino and bingo. Our products are offered through both retail channels and online through the portal "Sisal.it" and mobile applications. As of December 31, 2015, we operated through 4,669 branded points of sale, characterized by various formats identifiable with our brands ("**Branded Channel**"), and a network of 40,068 affiliated points of sale, connected electronically with our information system and located throughout Italy ("**Affiliated Channel**"). Our retail network includes points of sale whose primary business does not involve Gaming, such as newsstands, bars, and tobacconists, as well as points of sale exclusively dedicated to Gaming Machines, betting and lottery games.

We have a proven track record of successfully operating our business in a highly regulated environment. In Italy, gaming companies must have a concession from the national regulator. The regulator establishes tender criteria for gaming concessions, for example by requiring bidders to show an extensive territorial presence in Italy and expertise in the information technology processes necessary for the operation of a gaming network. Our gaming concessions have maturities up to six years, and we have a history of successfully renewing each of our concessions. The payment and financial services segment of the Payments and Services industry is regulated by the Bank of Italy, from whom we hold a license to operate as a payment institution.

As part of our Payments and Services business, we provide the following services: payment of invoices, household bills, fines, taxes and subscriptions; top up of prepaid debit cards and money transfer; top up of phone cards, international phone cards and pay-per-view TV cards; and the sale of certain small off-the-shelf products. Due to the low penetration of online and direct debit payment options, as well as for cultural reasons, Italian consumers frequently seek to make cash payments through "local" channels such as bars and newsagents rather than through traditional channels such as post offices and bank branches. We offer consumers the ability to pay over 500 types of bills, fines and certain taxes such as TV licenses, as well as top-up prepaid mobile phones and debit cards, through partnerships with 96 utilities, prepaid services providers and municipal governments. Our points of sale are open more days, have longer opening hours and generally shorter queues than post offices and bank branches, saving our customers time.

In 2013, we redefined our strategy for managing our activities. Until then, we operated under three operating segments: (i) Entertainment, (ii) Lottery, and (iii) Digital Games and Services. In December 2013, we separated Digital Games and Services into two distinct operating segments, (i) Online Gaming and (ii) Payments and Services, thereby creating a total of four business segments. The further division of our operating segments was prompted by the significant growth of the distinct products and services offered in our previous Digital Games and Services operating segment, which created the need for separate strategic models for each segment. As part of these changes, the Entertainment operating segment was renamed Retail Gaming, as it manages a part of our retail distribution network, known as the Branded Channel.

Operating segments

Our operating segments include:

Retail Gaming: dedicated to the operation of (i) Gaming Machines (slot machines and VLTs) and (ii) fixed-odd betting, totalizer betting on sport events and bingo. For the year ended December 31, 2015, our Gaming Machines and fixed-odd betting revenues were €367.7 million and €89.6 million, respectively. Our Retail Gaming operating segment also manages the Branded Channel and a portion of the points of sale in the Affiliated Channel.

Lottery: responsible for operating the exclusive concession for national totalizator number games ("**NTNG**"), which includes the following popular products, among others, the new SuperEnalotto (re-launched in February 2016), VinciCasa, Win For Life, SiVinceTutto and Eurojackpot. NTNGs are collected through the Branded Channel and the Affiliated Channel, as well as our two online portals and the 17 online portals managed by third-parties and connected to

our NTNG information platform. The Lottery operating segment also manages the points of sale in the Affiliated Channel that are not managed by the Retail Gaming operating segment.

Online Gaming: responsible for managing the activities of our online Gaming business, through our website Sisal.it and mobile phone channel. The Group's online offering is among the most extensive in the market and includes the entire portfolio of products available in accordance with governing regulations, including online betting and virtual races, online poker and skill games, casino and slots, quick games, lottery and bingo games.

Payments and Services: responsible for managing the following activities: (i) payment of invoices, household bills, fines, taxes and subscriptions; (ii) the "top up" of prepaid debit cards and money transfers; (iii) the "top up" of phone cards and pay-per-view TV cards; and (iv) the sale of certain products, such as small electronics and toys. This operating segment distributes its services and products through both the Branded and Affiliated Channels, the latter including 6,605 "service only" points of sale as of December 31, 2015, as well as through the online portal Sisalpay.it.

The following table sets out the total revenues and income for each of our operating segments for the three months ended March 31, 2016 and 2015, the years ended December 31, 2015, 2014 and 2013 and the twelve months ended March 31, 2016.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
Operating segment (in millions of Euro)[1]	**2013**	**2014**	**2015**	**2015**	**2016**	**2016**
				(Unaudited)		**(Unaudited)**
Retail Gaming	491.7	530.2	487.9	116.5	111.0	482.4
Lottery	98.4	84.6	74.5	19.1	21.0	76.4
Online Gaming	39.8	44.9	47.8	12.4	14.7	50.1
Payments and Services	141.2	158.2	174.7	43.1	45.6	177.2
Other revenues	1.2	3.1	2.2	0.1	0.1	2.2
Total	**772.3**	**821.0**	**787.1**	**191.2**	**192.4**	**788.3**

(1) See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*" for details regarding revenues net of amounts paid to the supply chain.

The following table sets out the EBITDA for each of our operating segments for the three months ended March 31, 2016 and 2015, the years ended December 31, 2015, 2014 and 2013 and the twelve months ended March 31, 2016.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
Operating segment (in millions of Euro)	**2013**	**2014**	**2015**	**2015**	**2016**	**2016**
				(Unaudited)		**(Unaudited)**
Retail Gaming	80.8	90.5	75.4	18.0	21.3	78.7
Lottery	36.7	27.8	27.8	7.5	7.3	27.6
Online Gaming	13.8	18.8	21.8	5.8	7.2	23.2
Payments and Services	45.9	53.4	59.0	15.3	17.5	61.2
Total EBITDA operating segment	**177.2**	**190.5**	**184.0**	**46.6**	**53.3**	**190.7**
Items with a different classification	(1.7)	(1.7)	(1.7)	(0.1)	(0.1)	(1.7)
Non-recurring items	(82.1)	(5.1)	—	—	—	—
EBITDA	**93.4**	**183.7**	**182.3**	**46.5**	**53.2**	**189.0**

Competitive Strengths

A leading operator in the attractive and resilient Italian Gaming and Payments and Services markets.

We are one of the leading operators in the Italian Gaming market as well as the Italian Payments and Services market. As a result of a series of deregulation initiatives undertaken by the Italian government from 2006, the Italian Gaming market doubled in size between 2007 and 2012 and has since then remained relatively stable, reaching a turnover of €88.0 billion in 2015. The Italian Gaming market is now one of the largest in Europe, second only to the United Kingdom. The Italian Payments and Services market achieved turnover of an estimated €150.0 billion in 2015, of which approximately €85.4 billion was processed through the cash and payment card segment that we address (the "**Addressable Payments Market**"). This segment operates through bank branches and post offices (the "**Traditional Channel**") and non-specialized points of sale such as bars, tobacconists and newsstands (the "**Convenience Channel**"). We operate exclusively through the Convenience Channel, which, since its introduction at the beginning of 2000, has grown significantly, reflecting a shift of consumers' preferences from the Traditional Channel to the Convenience Channel. The convenience payment market grew from approximately €16 billion in 2012 to approximately €18 billion in 2015,

representing a CAGR of 4.4% over the period. Alongside this trend, we have been able to increase our market share in the Addressable Payments Market, based on turnover, from 6.6% in 2012 to 9.5% in 2015. The Gaming and Payments Services markets have been resilient even in years of declining GDP growth in Italy. See "*Industry Overview*".

The markets in which we operate are highly regulated, and the relationship of industry participants with regulatory authorities and their ability to operate within the existing regulatory framework are critical factors for success. The ADM establishes criteria in tenders for gaming concessions, for example requiring bidders to show an extensive territorial presence in Italy and expertise in the information technology processes necessary for the operation of a gaming network, which constitutes a significant barrier to entry for new, smaller and unsophisticated operators. We are also licensed by the Bank of Italy to operate as a payment institution to provide payment and financial services. We believe our long-standing and leading position in the market, our trusted brand, as well as our experience operating within the Italian regulatory framework, have contributed to our generally positive and open relationship with the regulatory authorities, with whom we are in regular dialogue regarding the development of the industry.

Diversified product portfolio with multiple distribution channels across Italy.

Historically, we have derived the majority of our profits from lotteries and betting. Over the years, we have progressively diversified our business profile, adding innovative games, such as Virtual Races, entering adjacent segments, such as Payments and Services, and implementing multiple distribution channels, from retail to online and mobile devices. We now offer a broad range of games, such as slot machines, VLTs, betting, traditional pool and prediction games, through multiple concessions with staggered maturities. Moreover, we have the exclusive concession, and therefore are the only operator in Italy, to operate NTNG lotteries, such as SuperEnalotto. For the twelve months ended March 31, 2016, our Retail Gaming and Lottery segments accounted for 41.3% and 14.5% of our EBITDA, respectively. In recent years, taking advantage of our capillary retail network of over 44,700 points of sales strategically located throughout the country, we have further diversified our business by expanding into payment services. Moreover, our well-recognized brand has allowed us to successfully launch and expand our online game offering. For the twelve months ended March 31, 2016, our Payments and Services and Online Gaming segments accounted for 32.1% and 12.1% of our EBITDA, respectively. The high level of diversification of our business has allowed us to maintain a stable level of profitability even in periods of economic downturns and mitigate the effects of increased gaming taxation.

For instance, our Payments and Services segment has not been affected by the changes recently introduced by the Italian 2016 Stability Law and has continued to display growth and a high level of profitability and cash flow generation, both in 2015 and in the three months ended March 31, 2016. For the three months ended March 31, 2016, the total estimated negative impact of the Italian 2016 Stability Law on gaming machines revenues and Retail Gaming EBITDA was €14.1 million and €4.8 million, respectively. Our diversified product portfolio has allowed us to offset this impact as we have witnessed strong performance from other business divisions, particularly due to a 5.8% increase in revenues and income in our Payments and Services business and a 9.9% increase in revenues and income in our Lottery business following the re-launch of SuperEnalotto, for the three months ended March 31, 2016.

High-quality and branded distribution network.

We have the largest branded Gaming distribution network in Italy and, including our affiliated points of sale, we have the second largest Gaming distribution network in Italy. As of December 31, 2015, our network consisted of 4,669 branded points of sale and 40,068 affiliated points of sale, for a total of 44,737 points of sale, which represents a 125% increase since December 31, 2006. Nearly all our points of sale offer Payments and Services. In 2015, post offices and bank branches, our main competitors in the Addressable Payments Market, comprised approximately 13,000 and approximately 32,000 locations, respectively, which demonstrates our prominent position in the market. Over the last few years, we have significantly expanded our Branded Channel network, which now includes WinCity gaming halls, Matchpoint shops and corners and SmartPoint points of sale. In the three years ended December 31, 2015, our Branded Channel network grew from 4,014 points of sale at the end of 2013 to 4,669 at the end of 2015. Our Affiliated Channel is primarily made up of bars, tobacconists and newsstands, strategically located throughout Italy.

Through extensive analysis and geomarketing tools, we carefully select points of sale to optimize our presence throughout Italy. We use information about consumer habits and socio-demographic characteristics gained from experience in the industry, along with customer contact at our directly-managed points of sales, in order to strategically tailor product offerings at each point of sale, maximizing earnings at each location. In addition, when a point of sale is not directly managed by us, we evaluate the retailer's proven ability in managing the business before partnering with the retailer. We continuously review the performance of our retail operations, and our marketing and sales teams monitor the performance of retailers, including via annual contract reviews. In connection with this review process, we seek to maximize our profitability, focusing on opening new points of sale in areas which we think have good earnings potential and closing points of sale with lower earnings potential. We have a long-standing relationship with a number of retailers, and we seek ways to reinforce such strong relationships, including through ongoing dialogue and sales and training initiatives.

Our Branded Channel points of sale have the highest performance across our distribution network in terms of Gaming and Payment and Services volumes, and allow us to capture a higher portion of the value chain, achieve higher margins and more quickly implement our strategic initiatives. Accordingly, the expansion of the Branded Channel network has contributed to increased stability of our profitability margins as well as our brand awareness. In 2013, we were the first company to introduce a new type of terminal dedicated solely to the Payments and Services market in new categories of points of sale (such as newsstands). As a result, our "service only" points of sale have increased from 1,542 at the end of 2013 to 6,605 at the end of 2015.

Leadership in product, service and customer experience innovation.

We have been a leading product innovator in the Italian Gaming market, from the invention of Totocalcio and Totip in the 1940s to the introduction of SuperEnalotto in 1997, Superstar in 2006, SiVinceTutto in 2011 and Eurojackpot in 2012. In developing new products, we leverage our 70-year operating history, in-depth knowledge of consumer behavior and ability to interpret changing preferences and habits. For example, during the recent economic downturn, we recognized the concerns of consumers about having a stable income to and through retirement. We used this understanding, along with rigorous product analysis and testing, to develop our popular Win For Life product, which allows players to win a monthly cash income over a period of up to 20 years—the first such product offering in Italy. Additionally, building on the success of the original SuperEnalotto game of chance, we re-launched the new and improved SuperEnalotto in February 2016. Consumers now have more incentive to play SuperEnalotto, including increased payouts and winning odds, richer jackpots and higher frequency and instant wins. Due to our extensive retail network, online portal and SuperEnalotto mobile application, consumers now also have several ways to play. In 2013, we also launched virtual betting (or "Virtual Races") on both our Branded Channel and online platform. Since then, Virtual Races have become one of the main drivers of our betting performance.

We strive to improve the customer experience. We have significantly expanded our online channel, which is now among the most extensive in the market, has the leading market share in terms of customer base and has grown in Italy from 12.9% in 2013 to 14.4% in 2015. Furthermore, we have developed mobile device apps to improve our customers' gaming experience and facilitate their access to our Payments and Services offering. In 2015, 33% of our total online gaming revenues were derived from mobile revenues. At the end of 2015, our online gaming offer included a portfolio of more than 350 different games, an increase from 264 at the end of 2013. In 2013, we introduced a new online platform for payments and services, with the aim of making our services available 24 hours a day and offering our consumers value-added tools for controlling, planning and archiving their payments. We also recently completed the roll-out of technologically advanced cashless payment devices in our distribution network to improve service quality and customer experience. Additionally, in 2013, we introduced our "service only" points of sale in bars, tobacconists, newsstands and supermarkets, where only Payments and Services are offered by the Group on an exclusive basis. Our service only network, consisting of 6,605 points of sale as of December 31, 2015, provides us with new channels for growth for our Payments and Services segment.

Well known and trusted brands built on a strong heritage.

We believe that our strong brand heritage and national recognition helped us to reach our current state of development and positions us well to capitalize on future opportunities. We were the first Italian company to operate in the gaming sector as a government concessionaire and we have been operating in Italy for 70 years. Our product portfolio includes a number of well-known brands, including Sisal, SuperEnalotto, Eurojackpot, SiVinceTutto, Matchpoint, SisalPay, Win For Life, WinCity, Sisal.it. We continuously look for ways to create new interest in existing branded products and we have been able to leverage on our widely recognized brands to develop new successful ones. For example, in line with our expansion strategy in the Payments and Services market, we launched the SisalPay brand in 2012, the first specific brand in the Convenience Channel, throughout our distribution network as well as, starting from June 2013, on the dedicated Sisalpay.it online platform and mobile applications. We believe the SisalPay brand has led to increased visibility of our Payments and Services offering in the market and has significantly contributed to the increase in our turnover, from €5.9 billion in 2012 to €8.1 billion in 2015. Over the years, we believe that we have one of most recognizable brands in the market and have developed a positive reputation among consumers as a trusted provider of safe and responsible gaming, which is integral to success in the Italian gaming market. We believe this positive reputation has also supported our expansion into convenience payment services, where a reputation for trust and reliability is critical. We support our reputation with a commitment towards corporate social responsibility, player protection and we participate in a variety of community initiatives in the arts, sports and youth outreach.

Successful history of renewing all Gaming concessions supported by our extensive retail network.

We have renewed each of our concessions to date, including our NTNG concession, and we believe we are well positioned to approach upcoming renewals. The concession legal framework in the Italian Gaming market includes two types of concessions: exclusive and multi-providing. Most gaming products, such as betting, gaming machines and online games, are operated by various concessionaires under multi-providing concessions, awarded to them subject to compliance with certain requirements and following the payment of an upfront concession fee. We have been able to renew all our multi-providing concessions over time. Lottery concessions, on the other hand, have historically been

awarded to single operators under exclusive concessions. There are currently three lottery concessions, Instant Lotteries and Lotto, both operated by IGT, and NTNGs, operated by us. We have been the first and only ever concessionaire of SuperEnalotto since its introduction in 1997 and, in 2009, we were able to renew our NTNG concession, under which we operate SuperEnalotto, on an exclusive basis for additional nine years, until 2018. In the future, we will seek to continue to secure exclusive renewals of our concessions, similar to the recent renewal of the Lotto concession in April 2016 by an IGT-led consortium for an additional nine years and on an exclusive basis. The award of new concessions, or the renewal of existing ones, is subject to several requirements which vary depending on the type of concession and may include the existence of an extensive retail network. We believe our widespread distribution network, with over 44,700 points of sale, represents a key strength in any concession renewal process and a significant barrier to entry for smaller operators. In addition, concessionaires require complex and effective IT infrastructures in order to manage the high volumes of gaming transactions generated under their concessions. For this reason, we have invested significant resources in recent years to develop an extensive integrated information and communication technology (ICT) network that, for the year ended December 31, 2015, managed transactions amounting to approximately €15.1 billion. In addition, as a result of our years of experience in the Italian Gaming market, we believe we have developed a collaborative relationship with ADM, including in connection with the improvement of gaming products. Recently, after cooperating with ADM for almost two years, we have been able to re-launch SuperEnalotto, offering players new appealing features, such as increased payouts (of up to 60% of amounts paid) and winning odds, richer jackpot and higher frequency wins, with the introduction of instant prizes of up to €25.

Highly experienced management team.

The members of our senior and middle management teams have significant experience in the gaming, convenience payment services and retail consumer goods markets. We have managers with a long track record of gaming experience at Sisal and others who have worked in senior positions at multinational companies in the retail and consumer sector or at financial institutions before joining us. Additionally, we have successfully attracted and retained young talent to management positions where we believe new perspectives can add value to our business. Our experienced team has already demonstrated its ability to grow our business, for example, through expanding our distribution network, diversifying our revenue sources, introducing innovative products and successfully executing accretive acquisitions.

Business Strategy

Further promote "multi-channel" gaming by leveraging our extensive presence in both offline and online channels.

Multi-channel development is a strategic priority for us in order to improve customer loyalty and game cross-fertilization. We operate a broad product portfolio and have a prominent presence across relevant channels, including retail, mobile and online. We believe that our extensive retail network presence is a key factor in building a trustworthy relationship with our customers and gives us the ability to advertise and attract our customers who wish to use our online and mobile channels and vice-versa. Furthermore, we believe our strong brand awareness and retail distribution network lead to increased customer traffic to our website, as some customers prefer using website platforms owned by players with physical retail networks as they believe these are more available and more reliable than those with only an online presence.

We have a multi-channel strategy to encourage retail customers to try online gaming as a complementary channel and not as a substitute to our retail channel. We will continue to adapt our channels (retail, mobile, online) according to our customers' preferences as they may change from time to time.

We have further developed our multi-channel strategy by leveraging synergies between our Retail Gaming and Online Gaming segments, including:

- *Brand positioning:* consistent brand positioning and advertising strategy, particularly for betting and lotteries.
- *Cross-selling activities:* on-line account opening through our extensive retail distribution network with specific promotions for retail and online consumers.
- *Customer care:* integration of online and retail loyalty programs. We offer online accounts top-up and winning collection as well as online consumer assistance in our retail points of sale.
- *Consumer interface:* mobile applications offering integrated value-added services to both retail and online customers (e.g. betting and lotteries applications can be used to place bets both via our online and retail channels).

As part of our multi-channel strategy, we have developed the following initiatives: (i) the creation of a database consisting of cross-referenced customer data from all our customer engagement points; (ii) holding SisalPay prize contests offering synergies and advantages to customers of both our Online Gaming and Payments & Services segments; and (iii) hosting online business events in our retail stores (e.g. WinCity) and opening retail business units events to our online business customers.

Through our referral scheme, approximately 4,000 and 11,000 retail customers were successfully referred to our online products for the three months ended March 31, 2016 and for the year ended December 31, 2015, respectively. We believe

there are additional opportunities for us to continue to strengthen our multi-channel approach, including (i) the further roll-out of points of sale activating Online Gaming accounts (currently only 14% of our retail distribution network promotes our Online Gaming segment); (ii) the extension of information and activities managed with our customer profiling database; and (iii) the creation of a cross-business unit custom gaming platform, offering engagement opportunities combining multi-channel activity (e.g. integrated missions and awards given to customers who complete certain activities across our different channels).

Continue to expand and optimize our retail network, develop and launch innovative products, specifically in the online and mobile channels, and leverage on recently launched products.

We intend to capitalize on our knowledge of consumer behavior, as well as our network of gaming offerings and our online platform, by continuing to invest in innovative product offerings to reach an even broader customer base. We have increased the number of our online games from 10 in 2007 to 376 as of December 31, 2015. In December 2013, we launched Virtual Races on our Branded Channel and online platform and, since then, Virtual Races have become one of the main drivers of our betting performance, available on two different technological platforms. We intend to further invest in this product by launching a new and improved version of "football", our highest performing sport in Virtual Races. In addition, we have recently refreshed our NTNG range, introducing an updated version of our most renowned NTNG product, SuperEnalotto, in February 2016, offering players increased payouts and winning odds, richer jackpot and higher frequency and instant wins. We plan to further expand our portfolio of offerings through the launch of new products such as new VLT games and new online games, acting as a "first mover" where possible. Moreover, in compliance with the requirements of the Stability Law 2016, we will replace the current generation of our AWPs with new remote models by the end of 2019. We expect these remote AWPs to reduce the time to market for new games, thereby, enhancing consumers' experience. Through point of sale marketing and other efforts, we also aim to build consumer awareness of the ability to play our games on the Internet or on mobile phones in order to further grow our online customer base. Furthermore, we intend to continue our multi-channel approach, for both online gaming and VLTs, by adding more platforms to our systems in order to diversify, integrate and expand our gaming offering for consumers.

Additionally, we intend to continue to expand and optimize our existing retail network, which has grown by 125%, from 19,855 to 44,737 points of sale between December 31, 2006 and December 31, 2015. We expect to achieve this through organic growth and strategic acquisitions. We operate in a highly fragmented market, characterized by a large number of small independent participants. We believe this fragmentation presents an opportunity for us to acquire targets who hold products, technology or concessions, or are located in areas, that complement our existing platforms and offerings, in each case, at attractive valuations. We believe we have significant experience in identifying targets and executing accretive acquisitions, following a careful diligence process and we are continually looking for new businesses and opportunities to expand in categories and strategic locations throughout Italy where we believe we have critical mass and can develop a competitive advantage. Moreover, we continuously assess our retail network and strategically manage the balance between our Branded Channel and Affiliated Channel. We believe that the expansion and optimization of our retail network will enable us to achieve greater brand recognition and benefit from economies of scale, provide consumers with a better customer experience and help increase revenues and income by allowing us to capture a larger share of the gaming and Payment and Services value chain.

Further expand our Payments and Services business and increase marketing efforts to promote our "one stop shop" offerings.

We currently offer the ability to make over 500 types of payments and transfers through collaboration with over 90 partners, such as utility providers, prepaid credit card service providers, money transfer providers and mobile phone companies, generating Payment and Services turnover of €8.1 billion in 2015. Due to the low penetration of online and direct debit payment options as well as for cultural reasons, Italian consumers frequently seek to make cash payments through "local" channels such as bars and newsagents rather than through traditional channels such as post offices and bank branches, and we believe that the Addressable Payments Market, and particularly the Convenience Channel, will continue to grow. In addition to maximizing cross-selling opportunities with terminals that offer both Lottery and Payments and Services, we seek to further develop our service only distribution network in high-traffic areas with a low risk of saturation and where the existence of additional terminals will reduce or eliminate queue times. We have recently completed the roll out of contactless payment devices throughout our network, and we plan to incrementally expand our current offering of Payments and Services, including through new commercial partnerships, in order to appeal to even more consumers. We intend to continue to promote our points of sale as "one stop shops" that allow consumers to utilize our terminals to play games as well as pay bills and make other payments. In addition to the potential increase in revenues and income from Payments and Services, we believe the "one stop shop" model provides an opportunity to develop more direct relationships with consumers and increase their loyalty and brand awareness.

Maintain our focus on profitability and cash flow.

We have consistently delivered strong financial performance, evidenced by high levels of growth, profitability and cash flow generation which has allowed for significant deleverage. Since 2008, we have de-levered from net leverage of 6.6x

as of December 31, 2008 to 5.0x as of March 31, 2016, while adjusted EBITDA has grown by 34.8%, from €140.2 million to €189.0 million over the same period.

Despite challenging macroeconomic conditions (in 2012 Italian real GDP dropped by 2.9%) and despite the regulatory and fiscal headwinds that the Italian gaming market has faced, in particular following the Italian 2015 Stability Law, our free cash flow, excluding acquisitions and extraordinary items, almost doubled in the three year period from 2012 to 2015, driven by EBITDA generation and declining capital expenditure following cyclical patterns, technological renewal and refurbishment of our points of sale.

Furthermore, between 2012 and 2015, we have achieved approximately €21 million in cost savings related to, among others, (i) the renegotiation of telephone rates with telecommunications operators, (ii) the outsourcing of our call center, (iii) the renegotiation of rent fees for many of our points of sales, and (iv) the renegotiation of our hardware and software maintenance contracts.

Our ability to generate cash is further supported by our structurally negative working capital due to collection of cash from the network on a regular and frequent basis (weekly or bi-weekly) while we pay our suppliers on standards credit terms, on average between 90 and 120 days.

For the twelve months ended March 31, 2016, we had operating cash conversion, representing the ratio of EBITDA less capital expenditures divided by EBITDA, of 82%. Going forward we will continue to carefully assess the potential for earnings, cash-flow stability and growth when we evaluate the performance of our operations and new investment opportunities. For example, before we participate in a tender for a concession, we extensively analyze the terms, including potential payback, taxes and any required upfront payments, as well as the ability to build on our existing brands and distribution network. We participate in tenders only on terms that we believe are attractive. In 2009, for example, we agreed to pay €15,000 per machine for the right to operate approximately 5,000 VLTs. In contrast, in 2010 we did not seek to outbid a competitor for the concession to operate the scratch and win game, which, we understand from public statements, involved an upfront payment of approximately €800 million by a consortium led by Lottomatica. We use a similar disciplined approach when it comes to acquiring businesses and assets, and we consider the impact on profitability when setting payout rates and odds in relation to legal minimums on gaming products. Furthermore, we will continue to seek to reduce costs in our business through contract renegotiations, optimization of work shifts and other cost saving initiatives, including in connection with our marketing activities and distribution network. We also aim to generate cash and reduce our leverage by focusing on profitable and sustainable growth, including through a product mix shift towards our higher margin products and services and the expansion of our Branded Channel network.

History of the Group

We were established in 1946 and were the first Italian company to operate in the gaming sector as a government concessionaire. During the post-World War II era of reconstruction, we invented a football pool game called the “Sisal play slip” (now known as Totocalcio), which grew in popularity alongside the sport, so much so that “Playing Sisal” became a saying or expression of a community tradition synonymous with having fun.

In 1948, we launched Totip, a horse race-based prediction game, and reached 11,000 points of sale nationwide. Over the years we have sought to remain in touch with the changing needs of Italians, launching a number of new products, including Tris in 1991 and SuperEnalotto and SisalTV in 1997.

In 2002, we expanded into the convenience payment services sector and in 2004 we acquired Matchpoint betting and we also launched a range of online games. In 2005, we entered into the slot machines business and, in 2006, we created and introduced a new formula of optional and complementary gaming for the SuperEnalotto pool, known as Superstar, and completed the launch of the activities of Sisal Slot S.p.A, through the transfer of licensing and provider activities to the Gaming Machines and the purchase of control of the rental and management activities from Magic Matic S.p.A. In 2007, we entered the bingo sector through the establishment of Sisal Bingo S.p.A. (which was subsequently merged into Sisal Entertainment as its bingo segment). In September 2015, we disposed of our only physical bingo venue.

In 2009, we signed a concession agreement with ADM for the exclusive right to exercise and manage Italian games of chance (*National Totalizator Number Games*, NTNG), by directing and developing the distribution network for the sale of the SuperEnalotto, SuperStar, SiVinceTutto, Win For Life and Eurojackpot NTNGs or any other NTNG that ADM wishes to sell. In the same year, along with other concessionaires, we were authorized by ADM to install 4,924 VLTs. We also launched our Social Responsibility strategy, developing a comprehensive plan of initiatives aimed at the community and a detailed program for Responsible Gaming, which promotes balanced, sensible playing, focused on preventing playing by minors as well as excessive gaming. In the same year we published the first Group Corporate Social Responsibility Report.

In 2010, we opened our Sisal Wincity chain of entertainment spaces in Milan, an innovative retail concept that brings together gaming and entertainment, which has since expanded to several major cities in the country, including Rome, Turin and Brescia. In 2011, we acquired the Ilio Group, adding 32 new shops and 68 corners to our portfolio.

In 2013, we acquired a 60% holding in Friulgames S.r.l., an Italian operator that manages more than 2,100 Gaming Machines and we acquired the sports betting business unit of Merkur Interactive Italia S.p.A., consisting of 104 sporting

rights. We also launched a new retail format, Smartpoint, with the introduction of branded points of sale offering the entire portfolio of Sisal products, with the exception of the betting products (lotteries, gaming machines and payment services). In the same year, we began redefining our strategy for managing and controlling the business. Specifically, the business, previously organized into three operating segments (Entertainment, Lottery and Digital Games and Services), was modified into four operating segments: Retail Gaming, Lottery, Online Gaming and Payments and Services. In the same year, Sisal Holding Istituto di Pagamento S.p.A.'s Extraordinary Shareholders' Meeting resolved to amend the company's name to Sisal Group S.p.A.

In 2014 we acquired a 100% stake in ACME S.r.l., an Italian manufacturer of gaming, cabinet and money changer machines, and we introduced in our entire retail network cashless payment systems, equipped with contactless technology. At the end of 2015, we acquired the remaining 40% holding in Friulgames S.r.l.

In February 2016, we re-launched SuperEnalotto, offering customers increased payouts and winning odds, richer jackpot and higher frequency wins with the introduction of instant prizes.

On May 27, 2016, Schumann Holdings S.à r.l., an entity owned by CVC Funds, entered into a sale and purchase agreement with the Seller to acquire, directly or indirectly, all the issued and outstanding shares of Sisal Group S.p.A. and, subsequently, assigned all its rights and delegated all its obligations under the Acquisition Agreement to the Issuer on June 13, 2016. See "*The Transactions*".

Principal Shareholder

CVC is a leading international private equity and advisory firm. Founded in 1981, CVC today has a network of 24 offices on four continents. To date, CVC has secured commitments of over $80 billion in funds and has completed over 300 investments in a wide range of industries and countries across the world, with an aggregate enterprise value of approximately $250 billion. CVC Funds currently have investments in more than 50 companies worldwide, which generate over $100 billion in revenues and employ approximately 350,000 people. CVC's local knowledge, relevant sector expertise and extensive contacts underpin a 35 year proven track record of investment success.

Information about the Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated in Italy. The Issuer is registered with the Companies' register of Milan under registration number and fiscal code 09427590964. The registered office of the Issuer is at via del Vecchio Politecnico, 9, Milan, Italy. The telephone number of the Issuer is +390276316733 and the fax number of the Issuer is +390276009506.

Recent Developments

The following information relating to our revenues, operating costs and EBITDA is based in part on estimates. These estimates are based on our internal management accounts for the two months ended May 31, 2016, which have not been prepared in accordance with IFRS. These estimates have been prepared by and are the responsibility of management and have not been audited, reviewed or verified by our independent auditors and you should not place undue reliance on them. While we believe these estimates are reasonable, our actual results for the two months ended May 31, 2016, may differ from those presented below.

For the two months ended May 31, 2016, our total revenues and income increased to €86.2 million from €84.2 million for the two months ended May 31, 2015. The increase was primarily due to positive performance in the Lottery, Online Gaming and Payments and Services segments, which was partially offset by lower revenues and income in our Retail Gaming segment. Our operating costs remained relatively stable at €56.4 million for the two months ended May 31, 2016 compared to €56.2 million for the two months ended May 31, 2015. EBITDA increased slightly for the two months ended May 31, 2016 over the same period in 2015, in line with trends in the first quarter of 2016. Our actual results for the two months ended May 31, 2016 may differ from these preliminary estimates and expectations and remain subject to change. See "*Information Regarding Forward-Looking Statements*" and "*Risk Factors*" for a discussion of certain of the factors that could affect our future performance and results of operations.

The Transactions

The Acquisition

On May 27, 2016, Schumann Holdings S.à r.l., an entity indirectly owned by the CVC Funds, entered into an agreement relating to the sale and purchase of Sisal Group S.p.A. to acquire, directly or indirectly, all of the issued and outstanding shares of Sisal Group S.p.A. from the seller, Gaming Invest S.à r.l. (the "**Acquisition Agreement**"). On June 13, 2016, Schumann Holdings S.à r.l. assigned the Acquisition Agreement and assigned all its rights and delegated all its obligations under the Acquisition Agreement to the Issuer.

The consummation of the Acquisition is subject to satisfaction of the following conditions precedent: (i) the regulatory approval of the Acquisition by the European Union Commission or, in case of referral under Article 9 of the Council Regulation (EC) 139/2004, the Italian Antitrust Authority; (ii) the regulatory approval of the Acquisition by the Bank of

Italy, and (iii) the regulatory approval of the Acquisition by the *Agenzia delle Dogane e dei Monopoli*. We have submitted our draft notification to the European Commission and expect to submit our official notification by the end of July 2016. We submitted our applications to the ADM and the Bank of Italy on June 16 and June 27, 2016, respectively. If the regulatory approvals by the relevant authorities are not received by November 23, 2016, unless the parties mutually agree to extend the deadline, the Acquisition Agreement will terminate. See "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to significant uncertainties and risks*".

The Acquisition Agreement contains customary warranties and indemnities, including one related to certain tax liabilities, given by the Seller as to capacity, title and certain disclosure matters as well as customary covenants given by the Seller regarding, among other things, the conduct of the business and the affairs of the Target Group pending closing of the Acquisition. The Seller's liability for any breach of a warranty is subject to certain thresholds and limitations. The purchase price includes a feature whereby we are required to pay additional consideration for every month that elapses between signing of the Acquisition Agreement and the Completion Date, to compensate for additional cash generation in the business. As a result, the ultimate purchase price will be dependent on the timing of the Completion Date.

The Issuer is a wholly owned subsidiary of Schumann Investments S.A., which is a wholly owned subsidiary of Schumann Holdings S.à r.l. The Issuer, Schumann Investments S.A. and Schumann Holdings S.à r.l. were formed to undertake the Transactions.

The Refinancing

A portion of the cash proceeds from the Financing (as described in "*—The Financing"*) will be used to repay a portion of the Sisal Group's existing external debt in the amount of €687.3 million expected to be outstanding as of the estimated Completion Date (€693.6 million as of March 31, 2016), comprising:

- €275.0 million (€275.0 million as of March 31, 2016) owed by Sisal Group S.p.A. under the 2013 Senior Secured Notes, to be repaid with the funds available under Tranche B (as defined under "*Use of Proceeds*") under the Notes;
- €295.5 million (€299.7 million as of March 31, 2016) owed by Sisal Group S.p.A. under the Term Loan A1, Term Loan B1, Term Loan C1 and revolving facility under the Existing Senior Secured Credit Facilities Agreement, to be repaid with the funds available under Tranche B under the Notes; and
- €116.8 million (€118.9 million as of March 31, 2016) owed by Sisal under the Term Loan A2, Term Loan B2, Term Loan C2 under the Existing Senior Secured Credit Facilities Agreement, to be repaid with the funds available under Tranche C (as defined under "*Use of Proceeds*") under the Notes.

We refer to this debt to be repaid, collectively, as the "**Refinanced Debt**" and the repayment of the Refinanced Debt as the "**Refinancing**". If the amounts of debt outstanding under our Refinanced Debt on the Completion Date exceed the amounts set forth above, we intend to repay all such debt with cash on balance sheet or a portion of the proceeds of the Offering. The collateral securing the Refinanced Debt will be released concurrently with the Refinancing.

The Financing

The purchase price for the Acquisition is expected to be €970 million (prior to adjustments for unfunded liabilities on the Completion Date, if any) assuming the Completion Date occurs on or about September 30, 2016. We expect to finance the Acquisition as follows:

- an equity contribution by CVC Funds to the Issuer of €302.0 million (the "**Equity Contribution**"); and
- the offering of the Notes in an aggregate principal amount of €725.0 million by the Issuer.

The proceeds from the financing described above, together with cash on the balance sheet of €157.9 million expected to be freely available on the Completion Date, assuming the Completion Date occurs on or about September 30, 2016, will be used to:

- fund the consideration payable for all of the issued and outstanding shares of Sisal Group S.p.A. by using the Tranche A (as defined under "*Use of Proceeds*") under the Notes;
- repay the following amounts outstanding as of the estimated Completion Date: (i) €275.0 million owed by Sisal Group S.p.A. under the 2013 Senior Secured Notes by using the Tranche B under the Notes and (ii) €412.3 million owed by certain Sisal Group's companies under the Existing Senior Secured Credit Facilities Agreement (in particular, repay (a) €295.5 million owed by Sisal Group S.p.A. under the Term Loan A1, Term Loan B1, Term Loan C1 and revolving facility under the Existing Senior Secured Credit Facilities Agreement by using the Tranche B under the Notes, and (b) €116.8 million owed by Sisal under the Term Loan A2, Term Loan B2 and Term Loan C2 under the Existing Senior Secured Credit Facilities Agreement) by using the Tranche C under the Notes;
- fund additional cash on the balance sheet for general corporate purposes; and

- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the offering of the Notes by using the Tranche A under the Notes.

In the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due, among other things, to a negative movement in working capital, we may draw down amounts under the New Revolving Credit Facility on the Completion Date to fund any shortfall to complete the Transactions.

We refer to the Acquisition, the Financing and the Refinancing together as the "Transactions". See "*Use of Proceeds*", "*Capitalization*" and "*Description of the Notes*".

Escrow Accounts

Pending the consummation of the Acquisition, an amount equal to the gross proceeds of the Offering will be deposited into two segregated escrow accounts in the name of the Issuer but controlled by, and pledged in favor of, the Trustee on behalf of the holders of the Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes, respectively. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions, including the completion of the Acquisition. If the Acquisition is not consummated on or prior to January 31, 2017 (the "**Escrow Longstop Date**"), or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the special mandatory redemption date, and additional amounts, if any. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*".

As used in this offering memorandum, the term "Transactions" means collectively the Acquisition, the Refinancing and the Financing, including this Offering.

Sources and Uses

The expected estimated sources and uses of the funds necessary to consummate the Transactions (including the Acquisition) are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of freely available cash in the business, our estimates of the cost of repaying certain existing indebtedness, certain adjustments to the purchase price of the Acquisition, differences from our estimates of fees and expenses and the actual Completion Date. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization*".

Sources of funds		**Uses of funds**	
(In millions of Euro)		**(In millions of Euro)**	
Notes offered hereby[(1)]	725.0	Purchase price for the Acquisition[(3)]	447.0
Equity Contribution[(2)]	302.0	Net Refinancing[(4)]	529.4
		Incremental cash overfund[(5)]	7.0
		Estimated transaction costs[(6)]	43.6
Total sources	**1,027.0**	**Total uses**	**1,027.0**

(1) Represents €725.0 million aggregate principal amount due at maturity excluding the applicable issue discount. Pursuant to the escrow agreement governing the Notes, we may fund the interest payments on the Notes prior to the Completion Date with the escrowed proceeds from the Offering. We intend to fund any resultant shortfall in the sources for completion of the Transactions with additional cash generated from Group operations.

(2) Represents the indirect cash investment expected to be made by the CVC Funds, which will be contributed through intermediate holding companies to the Issuer.

(3) Represents the expected total cash purchase price payable to Gaming Invest S.à r.l. for the shares to be acquired under the Acquisition Agreement, based on the assumption that the Acquisition is consummated on September 30, 2016.

(4) Represents the following amounts as of the estimated Completion Date: (i) €275.0 million principal amount owed by Sisal Group under the 2013 Senior Secured Notes and (ii) €412.3 million owed by certain Sisal Group companies under the Existing Senior Secured Credit Facilities Agreement net of cash on the balance sheet of €157.9 million expected to be freely available on the Completion Date (in particular, (A) €295.5 million owed by Sisal Group S.p.A. under the Term Loan A1, Term Loan B1, Term Loan C1 and revolving facility under the Existing Senior Secured Credit Facilities Agreement, and (B) €116.8 million owed by Sisal under the Term Loan A2, Term Loan B2 and Term Loan C2 under the Existing Senior Secured Credit Facilities Agreement). In the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the New Revolving Credit Facility on the Completion Date to fund any shortfall to complete the Transactions. Moreover, should the Completion Date occur subsequent to September 30, 2016, we will owe additional amounts of accrued interest under the 2013 Senior Secured Notes. See "*The Transactions*" and "*Use of Proceeds*".

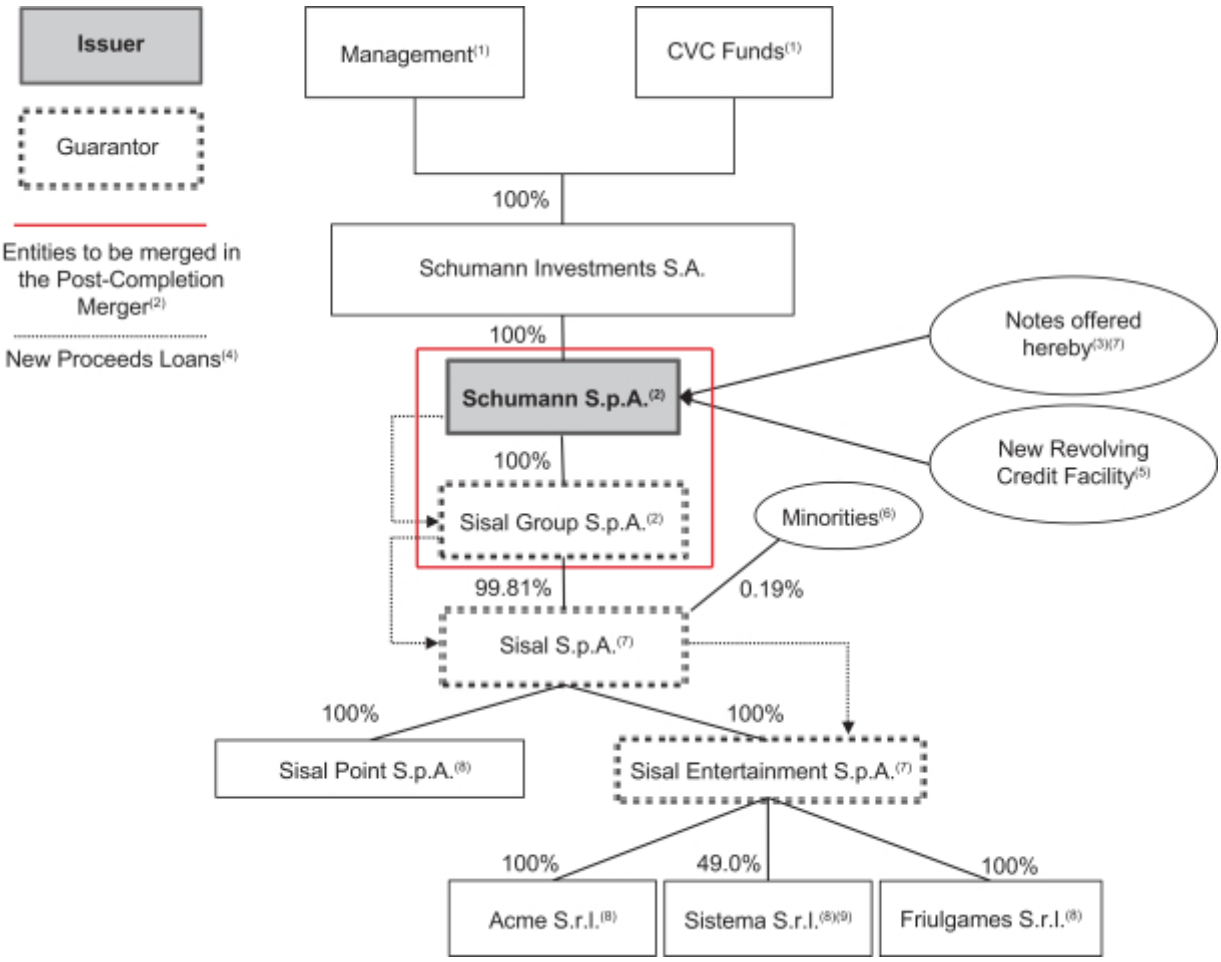
(5) Represents the anticipated additional cash funding on the balance sheet following the Transactions.

(6) Represents the estimated transaction costs associated with the Transactions, including initial purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses.

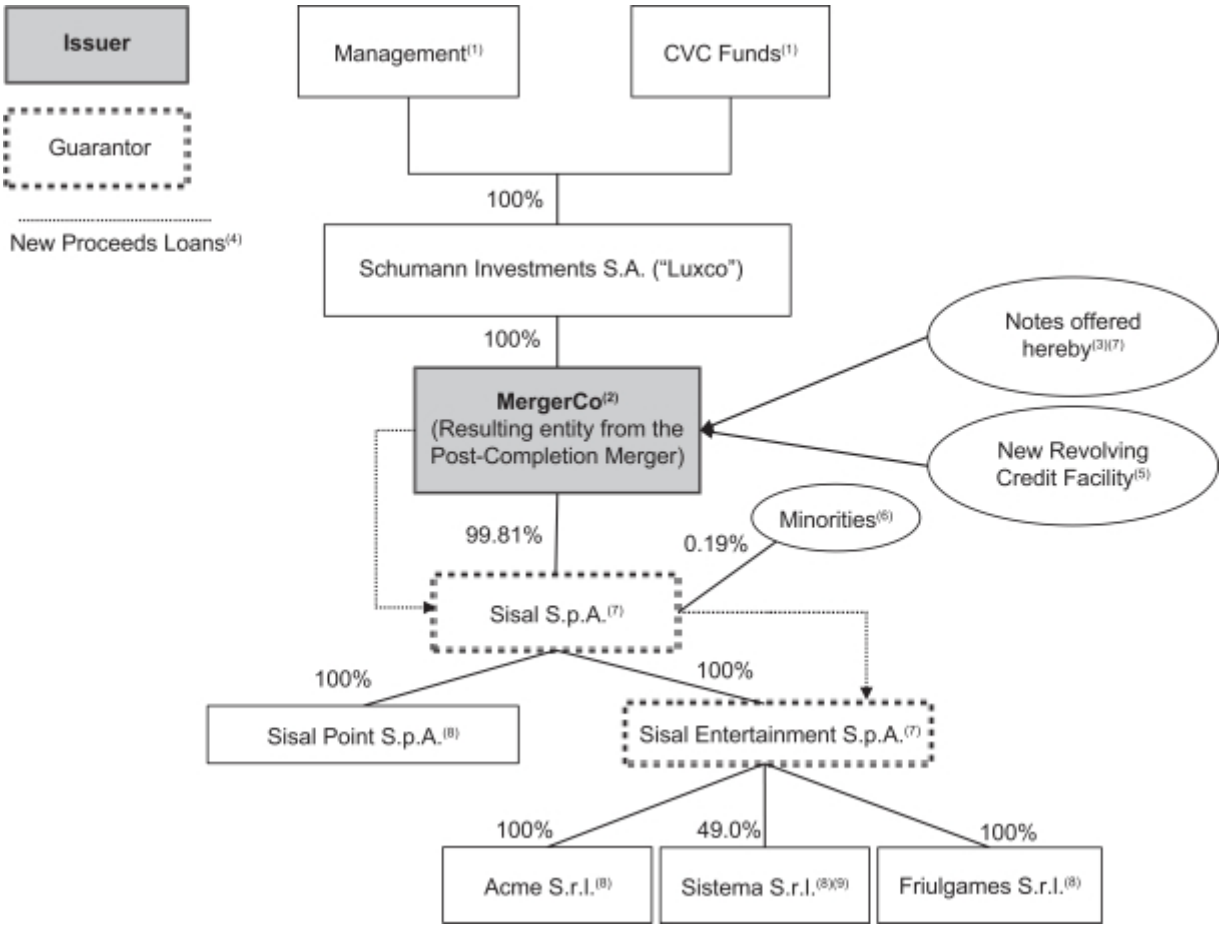
SUMMARY CORPORATE AND FINANCING STRUCTURE

The following charts summarize our corporate and financing structure as of the date of this offering memorandum adjusted to give effect to the Transactions. The charts are provided for illustrative purposes only and do not represent all legal entities or debt obligations of the entities presented. For a summary of the debt obligations identified in the charts, please refer to the sections entitled "Description of the Notes", "Description of Certain Financing Arrangements" and "Capitalization".

Corporate and Financing Structure Following the Completion Date and Prior to the Post-Completion Merger



Corporate and Financing Structure Following the Post-Completion Merger



(1) Upon consummation of the Acquisition, the CVC Funds will indirectly own (through wholly owned intermediate holding companies) the entire share capital of the Issuer. The CVC Funds will allocate a portion of the share capital of the Issuer or one of its direct or indirect parent companies for equity investments by certain members of the senior management team. The CVC Funds or a direct or indirect subsidiary intends to enter into investment agreements with certain members of our senior management team who will make such investments, directly or indirectly, in the equity of the Issuer. The CVC Funds expect that equity investments in the Issuer by certain members of the senior management team may include voting rights. For a description of our principal shareholders, see "*Principal Shareholders*".

(2) The Issuer has no independent business operations and only limited assets. On the Completion Date, the Issuer will acquire the shares of Sisal Group S.p.A. Following the Completion Date, we intend to merge the Issuer and Sisal Group S.p.A. We expect to complete the Post-Completion Merger within six to eight months following the Completion Date. The Post-Completion Merger is subject to certain conditions and may not be completed. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all*".

(3) The Notes will be senior obligations of the Issuer. On the Issue Date, and prior to the Completion Date, the Notes will be secured by first-ranking security interests over, in the case of the Senior Secured Floating Rate Notes, the escrow account into which the gross proceeds of the offering of the Senior Secured Floating Rate Notes will be deposited on the Issue Date, and, in the case of the Senior Secured Fixed Rate Notes, the escrow account into which the gross proceeds of the offering of the Senior Secured Fixed Rate Notes will be deposited on the Issue Date (the "**Notes Issue Date Collateral**"). On or following the Completion Date within the time periods specified herein, and prior to the completion of the Post-Completion Merger, the Notes will be secured by first-ranking security interests in (i) all the issued capital stock of the Issuer; (ii) all the issued capital stock of Sisal Group S.p.A.; (iii) 99.81% of the issued capital stock of Sisal and all the issued capital stock of Sisal Entertainment; (iv) the receivables of the Issuer under the Sisal Group Proceeds Loan; (v) the receivables of Sisal Group S.p.A. under the Sisal Proceeds Loan; and (vi) the receivables of Sisal under the Sisal Entertainment Proceeds Loan (the "**Notes Completion Date Collateral**"). Following the Post-Completion Merger, the Notes will be secured by first-ranking security interests in (i) all the issued capital stock of MergerCo; (ii) 99.81% of the issued capital stock of Sisal and all the issued capital stock of Sisal Entertainment; (iii) the receivables of MergerCo under the Sisal Proceeds Loan; and (iv) the receivables of Sisal under the Sisal Entertainment Proceeds Loan (the "**Notes Post-Merger Collateral**" and, together with the Notes Completion Date Collateral, the "**Notes Collateral**"). The Notes Completion Date Collateral and the Notes Post-Merger Collateral will also secure on a first-ranking basis the New Revolving Credit Facility and certain hedging obligations. In the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after lenders under the New Revolving Credit Facility and certain hedge counterparties have been repaid in full. See "*Description of Certain Financing Arrangements—New Intercreditor Agreement*" and "*Description of the Notes—Security*".

(4) On or about the Completion Date: (i) the Issuer will make a €538.0 million proceeds loan to Sisal Group S.p.A. (the "**Sisal Group Proceeds Loan**") with part of the proceeds of the Offering, together with cash on the balance sheet sheet, to fully redeem the 2013 Senior Secured Notes and repay €295.5 million outstanding under the Existing Senior Secured Credit Facilities Agreement; (ii) Sisal Group S.p.A. will make a €127.0 million proceeds loan to Sisal (the "**Sisal Proceeds Loan**") with part of the proceeds of the Offering to repay the remaining €116.8 million outstanding under the Existing Senior Secured Credit Facilities Agreement; and (iii) Sisal will make a €93.0 million proceeds loan to Sisal Entertainment (the "**Sisal Entertainment Proceeds Loan**" and, together with the Sisal Group Proceeds Loan and the Sisal Proceeds Loan, the "**New Proceeds Loans**"). Sisal Entertainment will use available cash plus the proceeds from the Sisal Entertainment Proceeds Loan to repay

€112.0 million outstanding under an existing intercompany loan. All proceeds loan amounts are estimates and are subject to change based on the availability of cash on the balance sheets at Sisal Group S.p.A., Sisal and Sisal Entertainment on the Completion Date. Our estimates of freely available cash is based on the assumption that the Acquisition is consummated on September 30, 2016 and is subject to change based on movements in working capital. See "*Description of the Notes—Security*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer's right to receive payments under the New Proceeds Loans may be subordinated by law to the obligations of other creditors*".

(5) On or prior to the Issue Date, the Issuer will enter into the New Revolving Credit Facility Agreement and, subsequent to the Completion Date within the time periods specified herein, we anticipate that Sisal Group S.p.A. and Sisal Entertainment S.p.A. will accede to the New Revolving Credit Facility as additional borrowers. On or following the Completion Date within the time periods specified herein, the New Revolving Credit Facility will be secured by first-ranking security interests in the Notes Completion Date Collateral. Following the Post-Completion Merger, the New Revolving Credit Facility will be secured by first-ranking security interests in the Notes Post-Merger Collateral. For more information on the New Revolving Credit Facility, see "*Description of Certain Financing Arrangements—New Revolving Credit Facility*".

(6) Sisal Group S.p.A. owns 99.81% of the shares of capital stock of Sisal, with the remainder owned by individual point of sale owners as described in the following sentence. The 309,251,310 ordinary shares of Sisal, which are issued and outstanding, are entirely held by Sisal Group S.p.A., while the preferred shares of Sisal are held as follows: (i) 8,408,077 preferred shares are held by Sisal Group S.p.A. and (ii) 609,923 preferred shares are held in the aggregate by the retailers or former retailers of Sisal.

(7) On the Issue Date the Notes will not be guaranteed. Within 90 days following the Completion Date, and prior to the completion of the Post-Completion Merger, the Notes will be guaranteed on a senior basis by Sisal Group S.p.A., Sisal and Sisal Entertainment (the "**Guarantors**"). As of and for the year ended December 31, 2015, and on a pro forma basis after giving effect to the Transactions, the Guarantors represented 99.7%, 98.6% and 98.5% of Sisal Group S.p.A.'s consolidated total revenues and income, EBITDA and total assets, respectively. The Guarantees will be subject to legal and contractual limitations. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees and the Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"* and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*". Following the Post-Completion Merger, the Notes will be guaranteed by Sisal and Sisal Entertainment.

(8) Certain subsidiaries of the Issuer will not guarantee the Notes. As of and for the year ended December 31, 2015, and on a pro forma basis after giving effect to the Transactions, the subsidiaries of the Issuer that will not guarantee the Notes represented 0.3%, 1.4% and 1.5% of Sisal Group's total revenues and income, EBITDA and total assets, respectively. After giving pro forma effect to the Transactions, the subsidiaries of the Issuer that will not guarantee the Notes would have had no financial indebtedness outstanding as of March 31, 2016.

(9) The remaining 51% of the outstanding share capital of Sistema S.r.l. is held by Univest S.p.A.

The Offering

*The following summary of the Offering contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, including certain definitions of terms used in this summary, see "*Description of Certain Financing Arrangements*" and "Description of the Notes".*

Issuer	Schumann S.p.A.
Notes Offered:	
Senior Secured Floating Rate Notes	€325.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2022.
Senior Secured Fixed Rate Notes	€400.0 million aggregate principal amount of 7.00% Senior Secured Fixed Rate Notes due 2023.
Issue Date	On or about July 28, 2016.
Issue Price:	
Senior Secured Floating Rate Notes	99.00%, plus accrued and unpaid interest from the Issue Date.
Senior Secured Fixed Rate Notes	100.00%, plus accrued and unpaid interest from the Issue Date.
Maturity Date:	
Senior Secured Floating Rate Notes	July 31, 2022.
Senior Secured Fixed Rate Notes	July 31, 2023.
Interest Rate and Interest Payment Dates:	
Senior Secured Floating Rate Notes	Three-month EURIBOR (subject to a 0.0% floor) plus 6.625% per annum, reset quarterly. Interest on the Senior Secured Floating Rate Notes will be paid quarterly in arrears on each January 31, April 30, July 31 and October 31, commencing on October 31, 2016. Interest on the Senior Secured Floating Rate Notes will accrue from the Issue Date.
Senior Secured Fixed Rate Notes	7.00% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing January 31, 2017. Interest on the Senior Secured Fixed Rate Notes will accrue from the Issue Date.
Form and Denomination	The Notes will be issued on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer and, subsequent to the Post-Completion Merger, MergerCo; • rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer and, subsequent to the Post-Completion Merger, MergerCo, that is not expressly subordinated in right of payment to the Notes, including indebtedness incurred under the New Revolving Credit Facility; • rank senior in right of payment to any existing and future indebtedness of the Issuer and, subsequent to the Post-Completion Merger, MergerCo, that is expressly subordinated in right of payment to the Notes; • rank effectively senior to any existing and future indebtedness of the Issuer and, subsequent to the Post-Completion Merger, MergerCo, that is unsecured to the extent of the value of the Notes Collateral;

- be effectively subordinated to any existing or future indebtedness of the Issuer and its subsidiaries and, subsequent to the Post-Completion Merger, MergerCo and its subsidiaries, that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- be structurally subordinated to any existing or future indebtedness of the Issuer's subsidiaries that do not guarantee the Notes and, subsequent to the Post-Completion Merger, MergerCo's subsidiaries that do not guarantee the Notes, including obligations to trade creditors; and
- not be guaranteed on the Issue Date, but within 90 days following the Completion Date, will be unconditionally guaranteed on a senior basis by the Guarantors, subject to the limitations described in the "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

Guarantees

On the Issue Date the Notes will not be guaranteed. Within 90 days following the Completion Date, the Notes will be guaranteed on a senior basis by Sisal Group S.p.A., Sisal and Sisal Entertainment (the "**Guarantors**"). Following the Post-Completion Merger, the Notes will be guaranteed by Sisal and Sisal Entertainment.

As of and for the year ended December 31, 2015, and on a pro forma basis after giving effect to the Transactions, the Issuer and the Guarantors represented 99.7%, 98.6% and 98.5% of the Group's consolidated total revenue and income, EBITDA and total assets, respectively. As of March 31, 2016, on a pro forma basis after giving effect to the Transactions, the Issuer and its consolidated subsidiaries would have had €728.2 million principal amount of indebtedness, of which €725 million is represented by the Notes. This does not include €125 million available under the New Revolving Credit Facility, which we anticipate will be undrawn on the Completion Date. In the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the New Revolving Credit Facility. See "*The Transactions*".

The Guarantees will be subject to legal and contractual limitations. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Guarantees and the Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"* and "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

The Guarantees will be subject to the terms of the New Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—New Intercreditor Agreement*" and "*Description of the Notes—Guarantees*".

Ranking of the Guarantees

The Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantee, including that Guarantor's obligations under

the New Revolving Credit Facility Agreement and certain hedging obligations;

- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Guarantee;
- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets that do not secure such Guarantee, to the extent of the value of the property or assets securing such other indebtedness; and
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Guarantors.

Security, Enforcement of Security

On the Issue Date, and prior to the Completion Date, the Notes will be secured by first-ranking security interests over:

- in the case of the Senior Secured Floating Rate Notes, the escrow account into which the gross proceeds of the offering of the Senior Secured Floating Rate Notes will be deposited on the Issue Date; and
- in the case of the Senior Secured Fixed Rate Notes, the escrow account into which the gross proceeds of the offering of the Senior Secured Fixed Rate Notes will be deposited on the Issue Date

(collectively, the "**Notes Issue Date Collateral**").

On the Completion Date (except as otherwise specified below), and prior to the Post-Completion Merger, the Notes will be secured by first-ranking security interests in:

- all the issued capital stock of the Issuer;
- within one business day following the Completion Date, all the issued capital stock of Sisal Group S.p.A.;
- within 90 days following the Completion Date, 99.81% of the issued capital stock of Sisal and all the issued capital stock of Sisal Entertainment;
- within one business day following the Completion Date, the receivables of the Issuer under the Sisal Group Proceeds Loan;
- within 90 days following the Completion Date, the receivables of Sisal Group S.p.A. under the Sisal Proceeds Loan; and
- within 90 days following the Completion Date, the receivables of Sisal under the Sisal Entertainment Proceeds Loan

(collectively, the "**Notes Completion Date Collateral**").

Following the Post-Completion Merger, the Notes will be secured by first-ranking security interests in:

- all the issued capital stock of MergerCo;
- 99.81% of the issued capital stock of Sisal and all the issued capital stock of Sisal Entertainment;
- the receivables of MergerCo under the Sisal Proceeds Loan; and

- the receivables of Sisal under the Sisal Entertainment Proceeds Loan

(collectively, the "**Notes Post-Merger Collateral**" and, together with the Notes Completion Date Collateral, the "**Notes Collateral**").

The Notes Collateral will also secure on a first-ranking basis the New Revolving Credit Facility and certain hedging obligations and may also secure certain future indebtedness. The Notes Collateral will be granted subject to the terms of the New Intercreditor Agreement, certain agreed security principles and the terms of the security documents.

Under the terms of the New Intercreditor Agreement, in the event of enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such collateral only after the lenders under the New Revolving Credit Facility, counterparties to certain super priority hedging obligations, the Security Agent, any receiver and certain creditor representatives have been repaid in full. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Creditors under the New Revolving Credit Facility, certain hedging liabilities and certain debt that we may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes"* and "*Description of Certain Financing Arrangements—New Intercreditor Agreement*".

The security interests in the Notes Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Description of the Notes—Security*", "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral*".

The security interests in the Notes Collateral may be released under certain circumstances. See "*Description of Certain Financing Arrangements—New Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*".

Escrow of Proceeds; Special Mandatory Redemption

Pending consummation of the Acquisition, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the Offering into two segregated Notes escrow accounts; one in connection with the Senior Secured Floating Rate Notes and one in connection with the Senior Secured Fixed Rate Notes, each in the name of the Issuer. The relevant escrow account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the relevant Notes.

Following delivery to the Trustee and the Escrow Agent of an officer's certificate confirming that the conditions to the release of the proceeds from escrow have been met or will be satisfied, the escrow proceeds will be released to the Issuer and utilized as described in "*The Transactions*", "*Use of Proceeds*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*". These conditions will include, among other things, the closing of the Acquisition on the terms set forth in the Acquisition Agreement promptly following release of the escrow proceeds. The consummation of the Acquisition is subject to the satisfaction of certain conditions, including regulatory approval.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Issuer notifies the Escrow Agent and the Trustee that the Acquisition Agreement has been terminated at any time on or prior to the Escrow Longstop Date, (d) the CVC Funds cease to

	beneficially own and control a majority of the issued and outstanding capital stock of the Issuer or (e) certain insolvency events of default occur on or prior to the Escrow Longstop Date, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate initial issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to such special mandatory redemption date.
	The CVC Funds will be required to fund the accrued and unpaid interest and additional amounts, if any, payable to holders of the Notes in the event of a special mandatory redemption, pursuant to the Shortfall Agreement.
Use of Proceeds	Upon release from escrow, the gross proceeds from the Offering will be used to (i) fund part of the purchase price for the Acquisition under the Acquisition Agreement, (ii) fund the Refinancing, (iii) fund cash on the Issuer's balance sheet for general corporate purposes, and (iv) pay related fees and expenses. See "*Use of Proceeds*".
Optional Redemption:	
Senior Secured Floating Rate Notes	The Issuer may redeem all or part of the Senior Secured Floating Rate Notes at any time on or after July 31, 2017 at the redemption prices as described under "*Description of the Notes—Optional Redemption*".
	At any time prior to July 31, 2017, the Issuer may redeem all or part of the Senior Secured Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption*".
Senior Secured Fixed Rate Notes	The Issuer may redeem all or part of the Senior Secured Fixed Rate Notes at any time on or after July 31, 2019 at the redemption prices described under "*Description of the Notes—Optional Redemption*".
	At any time prior to July 31, 2019, the Issuer may redeem all or part of the Senior Secured Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption*".
	At any time prior to July 31, 2019, the Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate Notes, using the net proceeds from certain equity offerings at a redemption price equal to 107.00% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 60% of the original aggregate principal amount of the Senior Secured Fixed Rate Notes remains outstanding after the redemption. See "*Description of the Notes—Optional Redemption*".
Additional Amounts	STYLE="margin-top:0pt ; margin-bottom:0pt" Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, such Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding.
	The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain

circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of the Notes—Withholding Taxes*", the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**"), except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Issuer or its agents. See "*Description of the Notes—Withholding Taxes*".

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 where a holder of Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in the Italian Ministerial Decree of September 4, 1996 and in the Italian Ministerial Decree to be issued as per Article 11, par. 4 lit. c), of Decree No. 239 and subsequently amended or superseded) (a "white list country") and such holder of Notes complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.

Tax Redemption

If certain changes in the law of any relevant taxing jurisdiction are announced and become effective on or after the issuance of the Notes that would require the Issuer or the Guarantors to pay additional amounts (as defined in "*Description of the Notes—Withholding Taxes*"), the Issuer may redeem the Senior Secured Floating Rate Notes or the Senior Secured Fixed Rate Notes, as applicable, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Change of Control

Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. See "*Description of the Notes—Change of Control*".

Certain Covenants

The Indenture, among other things, will restrict the ability of the Issuer 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 the Issuer'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 of the Notes.

Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating.

	Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".
Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
No Established Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules thereof. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market.
Risk Factors	Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.
Governing Law	The Indenture and the Notes will be governed by the laws of the State of New York. The New Intercreditor Agreement and the New Revolving Credit Facility will be governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted.
Trustee	The Law Debenture Trust Corporation p.l.c.
Security Agent	UniCredit Bank AG, Milan Branch.
Principal Paying Agent and Escrow Agent	Deutsche Bank AG, London Branch.
Registrar, Transfer Agent and Listing Agent	Deutsche Bank Luxembourg S.A.

Summary Consolidated Financial Information

The following summary consolidated financial information as of and for the years ended December 31, 2015, 2014 and 2013 has been derived from the Consolidated Financial Statements. Summary consolidated financial information as of March 31, 2016 and for the three months ended March 31, 2016 and 2015 has been derived from the Unaudited Condensed Consolidated Interim Financial Statements. The Consolidated Financial Statements were prepared in accordance with IFRS and were audited by PricewaterhouseCoopers S.p.A. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended March 31, 2016 have been derived by subtracting from the financial information of the 2015 audited consolidated financial statements the comparative financial information of the unaudited interim consolidated financial statements for the three months ended March 31, 2015, and adding the financial information of the unaudited interim consolidated financial statements for the three months ended March 31, 2016. The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended March 31, 2016 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this offering memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed.

This Summary Consolidated Financial Information should be read in conjunction with the financial statements included elsewhere in this offering memorandum and the notes thereto and the information set forth in "*Presentation of Financial and other Information*", "*Summary*", "*Business*", "*Use of Proceeds*", "*Capitalization*", "*Selected Consolidated Financial Information*", "*Unaudited Pro Forma Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Summary Consolidated Statement of Comprehensive Income Information

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
			(In millions of Euro)	(Unaudited)		(Unaudited)
Revenues	677.1	715.3	693.8	167.9	164.2	690.1
Fixed odds betting income	86.4	99.7	89.6	22.9	28.0	94.7
Other revenues and income	8.8	6.0	3.7	0.4	0.2	3.5
Total revenues and income	**772.3**	**821.0**	**787.1**	**191.2**	**192.4**	**788.3**
Purchases of materials, consumables and merchandise	10.7	11.6	10.4	2.1	2.8	11.1
Costs for services	453.5	470.8	445.5	104.6	100.8	441.7
Lease and rent expenses	20.7	25.3	24.2	6.2	5.6	23.6
Personnel costs	81.3	92.5	90.5	23.4	21.2	88.3
Other operating costs	107.9	35.8	34.9	8.2	8.7	35.4
Amortization, depreciation, provisions and impairment losses and reversals	110.3	114.7	129.5	25.4	26.0	130.1
Net operating profit (loss) (EBIT)	**(12.1)**	**70.3**	**52.1**	**21.3**	**27.3**	**58.1**
Finance income and similar	2.2	1.2	0.5	0.1	0.1	0.5
Finance expenses and similar	86.7	91.0	84.9	20.9	21.4	85.4
Share of profit/(loss) of companies accounted for using the equity method	n.s.	(0.2)	n.s.	—	—	n.s.
Profit (loss) before income taxes	**(96.6)**	**(19.7)**	**(32.3)**	**0.5**	**6.0**	**(26.8)**
Income taxes	2.2	(18.7)	7.4	1.7	3.9	9.6
Total profit (loss) for the period/year	**(98.8)**	**(1.0)**	**(39.7)**	**(1.2)**	**2.1**	**(36.4)**
Attributable to non-controlling interest	0.3	0.3	0.1	n.s.	n.s.	0.1
Attributable to owner of the parent	**(99.1)**	**(1.3)**	**(39.8)**	**(1.2)**	**2.1**	**(36.5)**
Other comprehensive income:						
Actuarial gains (losses) on employees' defined benefit plans	n.s.	(1.8)	0.5	—	—	0.5
Tax effect	n.s.	0.5	(0.2)	—	—	(0.2)
Total comprehensive profit (loss) for the period/year	**(98.8)**	**(2.3)**	**(39.4)**	**(1.2)**	**2.1**	**(36.1)**

Summary Consolidated Statement of Financial Position Information

	As of December 31,			As of March 31,
	2013	2014	2015	2016
				(Unaudited)
		(In millions of Euro)		
Property, plant and equipment	131.6	120.6	103.8	97.1
Goodwill	880.0	880.0	860.9	860.9
Intangible assets	228.9	185.6	141.4	130.1
Investments accounted for using the equity method	0.1	0.1	—	—
Deferred tax assets	11.8	31.9	25.2	22.1
Other non-current assets	29.1	24.7	23.1	22.3
Total non-current assets	**1,281.5**	**1,242.9**	**1,154.4**	**1,132.5**
Inventories	9.0	9.0	11.3	8.0
Trade receivables	122.7	135.3	144.4	145.3
Current financial assets	n.s.	—	—	—
Tax receivable	4.7	3.7	1.4	0.7
Restricted bank deposits	76.7	90.3	101.9	162.0
Cash and cash equivalents	104.3	113.7	139.7	161.2
Other current assets	42.4	48.4	41.1	47.6
Total current assets	**359.8**	**400.4**	**439.8**	**524.8**
TOTAL ASSETS	**1,641.3**	**1,643.3**	**1,594.2**	**1,657.3**
EQUITY				
Share capital	102.5	102.5	102.5	102.5
Legal reserve	0.2	0.2	0.2	0.2
Share premium reserve	94.5	94.5	94.5	94.5
Other reserves	(1.6)	87.9	88.4	88.5
Accumulated deficit	(253.2)	(255.8)	(294.5)	(292.5)
Total equity attributable to owners of the Parent	**(57.6)**	**29.3**	**(8.9)**	**(6.8)**
Equity attributable to non-controlling interests	1.2	1.5	0.3	0.4
Total equity	**(56.4)**	**30.8**	**(8.6)**	**(6.4)**
Long-term debt	1,107.9	1,037.7	1,051.5	1,058.4
Provision for employee severance indemnities	9.7	11.3	10.0	9.6
Deferred tax liabilities	19.8	15.9	12.9	11.7
Provisions for risks and charges	13.2	14.1	12.5	12.1
Other non-current liabilities	15.8	7.1	3.3	2.5
Total non-current liabilities	**1,166.4**	**1,086.1**	**1,090.2**	**1,094.3**
Trade and other payables	268.4	267.8	254.7	243.7
Short-term debt	34.3	34.3	34.4	34.3
Current portion of long-term debt	27.5	20.1	19.8	14.6
Tax payable	2.6	4.5	0.8	2.0
Other current liabilities	198.5	199.7	202.9	274.8
Total current liabilities	**531.3**	**526.4**	**512.6**	**569.4**
TOTAL LIABILITIES AND EQUITY	**1,641.3**	**1,643.3**	**1,594.2**	**1,657.3**

Summary Consolidated Statement of Cash Flows Information

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
				(Unaudited)		(Unaudited)
				(In millions of Euro)		
Cash flows generated from operating activities	88.5	150.1	138.7	25.0	45.8	159.5
Cash flows used in investing activities	(81.3)	(62.5)	(42.3)	(9.0)	(4.8)	(38.1)
Cash flows used in financing activities	(55.8)	(78.2)	(70.3)	(19.4)	(19.5)	(70.4)
Net increase (decrease) in cash and cash equivalents	**(48.6)**	**9.4**	**26.1**	**(3.4)**	**21.5**	**51.0**

Other Financial Information

	As of and for the year ended December 31,			As of and for the three months ended March 31,		As of and for the twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
				(Unaudited)		(Unaudited)
				(In millions of Euro)		
EBITDA[(1)]	93.4	183.7	182.3	46.5	53.2	189.0
Adjusted EBITDA[(2)]	175.5	188.8	182.3	46.5	53.2	189.0
EBITDA Margin[(3)]	12.09 %	22.38 %	23.16 %	24.32 %	27.65 %	23.98 %
Adjusted EBITDA Margin[(3)]	22.72 %	23.00 %	23.16 %	24.32 %	27.65 %	23.98 %
Changes in trade working capital[(4)]	4.4	(25.6)	(36.5)	(14.9)	(12.0)	(33.6)
Capital expenditures[(5)]	84.1	47.1	38.5	8.6	4.4	34.3
Unrestricted cash[(6)]	104.3	113.7	139.7	n.a.	161.2	161.2
Net Financial Debt[(7)]	1,065.4	978.4	965.9	n.a	946.2	946.2
Net Leverage[(8)]	6.1	5.2	5.3	n.a.	n.a.	5.0

(1) We define EBITDA as profit (or loss) for the period adjusted for: (i) amortization of intangible assets; (ii) depreciation of property, plant and equipment; (iii) impairment of fixed assets and receivables; (iv) finance income and similar; (v) finance expenses and similar; (vi) share of profit/(loss) of companies accounted for using the equity method; and (vii) income taxes. EBITDA is a non-IFRS measure. The following is a calculation of EBITDA:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
				(Unaudited)		(Unaudited)
				(In millions of Euro)		
Profit (loss) for the period	(98.8)	(1.0)	(39.7)	(1.2)	2.1	(36.4)
Income taxes	2.2	(18.7)	7.4	1.7	3.9	9.6
Share of profit/(loss) of companies accounted for using the equity method	n.s.	0.2	n.s.	—	—	n.s.
Finance expenses and similar	86.7	91.0	84.9	20.9	21.4	85.4
Finance income and similar	(2.2)	(1.2)	(0.5)	(0.1)	(0.1)	(0.5)
Amortization, depreciation, impairment losses and reversal	105.5	113.4	130.2	25.2	25.9	130.9
EBITDA	**93.4**	**183.7**	**182.3**	**46.5**	**53.2**	**189.0**

(2) We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring items. Adjusted EBITDA is a non-IFRS measure. The following is a calculation of Adjusted EBITDA:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
				(Unaudited)		(Unaudited)
			(In millions of Euro)			
EBITDA	**93.4**	**183.7**	**182.3**	**46.5**	**53.2**	**189.0**
Cost for IPO process	—	6.3	—	—	—	—
Settlement of gaming machine dispute	73.5	—	—	—	—	—
Provision for claims with regulator	4.2	—	(2.4)	—	—	—
Other	4.4	(1.2)	2.4	—	—	n.s.
Non-recurring items	**82.1**	**5.1**	**n.s.**	**—**	**—**	**n.s.**
Adjusted EBITDA	**175.5**	**188.8**	**182.3**	**46.5**	**53.2**	**189.0**

(3) We define EBITDA Margin and Adjusted EBITDA Margin as EBITDA and Adjusted EBITDA, respectively, divided by total revenues and income.

(4) The following is a calculation of changes in trade working capital as extracted from our consolidated statement of cash flows.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016
				(Unaudited)		(Unaudited)
			(In millions of Euro)			
Movements in trade receivables	19.4	(25.0)	(21.1)	(3.4)	(4.4)	(22.1)
Movements in inventories	0.9	n.s.	(2.3)	1.2	3.4	(0.1)
Movements in trade payables	(15.9)	(0.6)	(13.1)	(12.7)	(11.0)	(11.4)
Changes in trade working capital	**4.4**	**(25.6)**	**(36.5)**	**(14.9)**	**(12.0)**	**(33.6)**

(5) Capital expenditures consist of investments for the period in property, plant and equipment and intangible assets as extracted from our consolidated statement of cash flows.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March, 31
	2013	2014	2015	2015	2016	2016
				(Unaudited)		(Unaudited)
			(In millions of Euro)			
Property, plant and equipment	50.4	33.5	25.2	5.7	2.6	22.1
Intangible assets	33.7	13.6	13.3	2.9	1.8	12.2
Total	**84.1**	**47.1**	**38.5**	**8.6**	**4.4**	**34.3**

(6) Unrestricted cash represents cash and cash equivalents from our statement of financial position less restricted cash relating to bank accounts which are managed by us but for which the cash is restricted to the payment of prize winnings and, to a lesser extent, deposits made by players for our online games.

(7) The table below sets forth our Net Financial Debt as of the dates indicated.

	As of December 31,			As of March 31,
	2013	2014	2015	2016
				(Unaudited)
			(In millions of Euro)	
Existing Senior Secured Credit Facilities Agreement	439.5	425.4	414.8	415.4
Senior Secured Notes	272.7	274.3	276.2	271.7
Shareholder Loans	450.1	387.0	410.9	417.1
Other	7.4	5.4	3.7	3.2
Total debt	**1,169.7**	**1,092.1**	**1,105.6**	**1,107.4**
Sisal Group unrestricted cash[(a)]	(104.3)	(113.7)	(139.7)	(161.2)
Net Financial Debt	**1,065.4**	**978.4**	**965.9**	**946.2**

(a) We calculated Net Financial Debt as the sum of long-term debt, short-term debt and current portion of long-term debt, less unrestricted cash. The information presented is derived from the consolidated statement of financial position and, in accordance with IFRS, is net of unamortized debt issuance costs. See "*Presentation of Financial and Other Information—Use of Non-GAAP Financial Measures*".

(8) We define Net Leverage as the result of Net Financial Debt divided by Adjusted EBITDA. The following table sets forth Net Leverage for the periods indicated.

	As of and for the year ended December 31,			Twelve months ended March 31,
	2013	2014	2015	2016
		(Unaudited)		(Unaudited)
Net Leverage	6.1	5.2	5.3	5.0

Pro Forma Information

	Twelve Month Period ended March 31, 2016
	(unaudited) (In millions of Euro, except ratios)
Pro forma net total debt[(1)]	724.2
Pro forma cash interest expense[(2)]	50.8
Ratio of *pro forma* net total debt to Adjusted EBITDA	3.83x
Ratio of Adjusted EBITDA to *pro forma* cash interest expense	3.72x

(1) *Pro forma* net total debt consists of the sum of the Group's total financial liabilities as of the date indicated, adjusted to give *pro forma* effect to the Transactions, net of cash, cash equivalents and other current financial assets. For purposes of this item, cash, cash equivalents and other current financial assets are measured as of the Completion Date assuming that the Completion Date occurs on September 30, 2016. See "*Use of Proceeds*".

(2) *Pro forma* cash interest expense reflects the estimated interest expense for the twelve-month period ended March 31, 2016 as if the Transactions had occurred on April 1, 2015. *Pro forma* cash interest expense excludes €5.6 million of non-cash interest expense relating to the amortization of estimated debt issuance costs. This estimate reflects the issuance of (i) €325.0 million Floating Rate Notes issued at 99.0% and carrying an interest rate of EURIBOR plus 6.625% (assuming a EURIBOR rate of 0.0% in effect for the period), and (ii) €400.0 million 7.00% Fixed Rate Notes issued at par. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Segment Information

The following table sets forth an analysis of our revenues and income and EBITDA by operating segments for the periods indicated.

	Revenue and Income						EBITDA					
	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2013	2014	2015	2015	2016	2016	2013	2014	2015	2015	2016	2016
				(Unaudited)		(Unaudited)				(Unaudited)		(Unaudited)
						(In millions of Euro)						
Retail Gaming	491.7	530.2	487.9	116.5	111.0	482.4	80.8	90.5	75.4	18.0	21.3	78.1
Lottery	98.4	84.6	74.5	19.1	21.0	76.4	36.7	27.8	27.8	7.5	7.3	27.6
Online Gaming	39.8	44.9	47.8	12.4	14.7	50.	13.8	18.8	21.8	5.8	7.2	23.2
Payments and Services	141.2	158.2	174.7	43.1	45.6	177.2	45.9	53.4	59.0	15.3	17.5	61.2
Total	**771.1**	**817.9**	**784.9**	**191.1**	**192.3**	**786.**	**177.2**	**190.5**	**184.0**	**46.6**	**53.3**	**190.**
Other revenues	1.2	3.1	2.2	0.1	0.1	2.2	—	—	—	—	—	—
Total operating segment	**772.3**	**821.0**	**787.1**	**191.2**	**192.4**	**788.**	**177.2**	**190.5**	**184.0**	**46.6**	**53.3**	**190.**
Non-recurring items	—	—	—	—	—	—	(82.1	(5.1	—	—	—	—
Items with a different classification	—	—	—	—	—	—	(1.7	(1.7	(1.7	(0.1	(0.1	(1.
Total	**772.3**	**821.0**	**787.1**	**191.2**	**192.4**	**788.**	**93.4**	**183.7**	**182.3**	**46.5**	**53.2**	**189.**

Certain Historical Financial Data of the Group

The table below indicates Turnover, Revenues and Income, Adjusted EBITDA, Adjusted EBITDA Margin and Net Financial Debt, as of and for the years ended December 31, 2008, 2009, 2010, 2011 and 2012.

	As of and for the year ended December 31,				
	2008	2009	2010	2011	2012
	(In millions of Euro except percentage and as otherwise indicated)				
Turnover (In billions of Euro)	6.6	9.4	11.3	13.3	13.8
Change (In billions of Euro)	0.7	2.8	1.9	2.0	0.5
% Change	11.9	42.4	20.2	17.7	3.8
	%	%	%	%	%
Total revenues and income	536.9	648.0	736.0	869.8	823.4
Adjusted EBITDA[(1)]	140.2	152.7	166.6	183.8	170.4
Adjusted EBITDA *Margin*	26.11	23.56	22.64	21.13	20.69
	%	%	%	%	%
Net Financial Debt[(2)]	930.4	956.6	992.8	983.0	985.8

(1) For the years ended December 31, 2008, 2009, 2010, 2011 and 2012, we defined (i) EBITDA as profit (or loss) for the year plus net finance expenses and similar, income taxes and amortization, depreciation, impairments and impairment of receivables and (ii) Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items. Adjusted EBITDA in 2012 includes an adjustment of €16.5 million relating to fines imposed by the ADM for failure to meet minimum required volumes under our lottery concession. Adjusted EBITDA in 2008 includes €13.2 million related to costs of settlement agreements signed during 2008 for the termination of contracts with certain senior managers and directors. There were no extraordinary items in the years ended December 31, 2009, 2010 and 2011. Adjusted EBITDA is a non-IFRS measure. The following is a calculation of Adjusted EBITDA for the periods indicated.

	For the year ended December 31,				
	2008	2009	2010	2011	2012
	(In millions of Euro)				
Profit (loss) for the year	9.7	(13.1)	(12.9)	(29.3)	(39.8)
Income taxes	5.3	6.3	5.3	16.6	2.7
Net finance expenses and similar	96.3	81.4	78.0	69.1	69.0
Amortization, depreciation and impairments	8.1	68.8	84.9	115.1	106.3
Impairment of receivables[(a)]	7.6	9.3	11.3	12.3	15.7
EBITDA	127.0	152.7	166.6	183.8	153.9
Extraordinary items	13.2	—	—	—	16.5
Adjusted EBITDA	**140.2**	**152.7**	**166.6**	**183.8**	**170.4**

(a) Impairment of receivables relates to accruals for receivables where recoverability is considered to be doubtful; the movement in our impairment of receivables is primarily related to the growth of the turnover of the business.

(2) The following table sets forth a reconciliation of Net Financial Debt as of the dates indicated.

	As of December 31,				
	2008	2009	2010	2011	2012
	(In millions of Euro)				
Existing Senior Secured Credit Facilities Agreement	724.5	721.8	721.7	723.7	708.7
Shareholder Loans	284.1	355.4	374.5	395.5	420.0
Other	7.1	10.4	14.6	26.0	10.0
Total debt	**1,015.70**	**1,087.6**	**1,110.8**	**1,145.2**	**1,138.7**
Sisal Group unrestricted cash	(85.3)	(131.0)	(118.0)	(162.2)	(152.9)
Net Financial Debt	**930.4**	**956.6**	**992.8**	**983.0**	**985.8**

RISK FACTORS

This Offering involves a high degree of risk. You should carefully consider the risks described below as well as other information and data contained in this offering memorandum before making an investment decision. If any of the events described in the risk factors below occur, our business, financial condition and results of operations could be materially and adversely affected, which in turn could adversely affect our ability to repay the Notes. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, operating results or prospects. In any such case, you may lose all or part of your investment in the Notes.

Risks Related to Our Business

The industries in which we operate are highly regulated, and if we fail to comply with applicable laws and regulations, or the introduction of more stringent laws and regulations, this could adversely affect our financial results.

The Italian Gaming market within which we operate is heavily regulated by domestic legislation as well as by the *Agenzie delle Dogane e dei Monopoli*, formerly AAMS. In particular, the ADM determines: (i) which games may be operated and what amounts may be charged by operators; (ii) what level of winnings may be awarded; (iii) the compensation to be paid to concessionaires; (iv) the minimum number of points of sale and whether a given concession is exclusive or available to multiple concessionaires, and (v) the minimum levels of service. Moreover, concessionaires operating in this market must obtain a police license and additional permits, concessions, authorizations and clearances when required by applicable regulations and must also comply with regulations for the protection of minors. In addition, applicable regulations require that, *inter alia*, directors, officers, shareholders and beneficial owners of the concessionaires (owning directly and indirectly more than 2% of the concessionsaire) satisfy certain good standing requirements (including anti-mafia requirements). See "*Regulation*". The process for obtaining new concessions could be costly and time-consuming, and its outcome could be uncertain. Failure to renew or obtain such concessions, permits, extensions or authorizations could significantly prejudice our activities, with potential material adverse effects on our business, results of operations and financial condition. In addition, the promulgation of new regulations (for example, relating to the online games sector) that are harmonized at the European level, or amendments to current regulations, could require us to adopt stricter standards for the purposes of obtaining authorizations and competing in public tenders. New regulations could also lead to changes in compensation for concessionaires or increases in the number of concessions, authorizations or concessions awarded by ADM to our competitors. Such factors may affect our profitability, with possible material adverse effects on our business, results of operations and financial condition. Compliance with this regulatory framework requires significant investments in infrastructure and personnel. Furthermore, failure to comply with applicable laws, regulations and rules could result in investigations and enforcement actions, concessions or licenses that we need to do business not being renewed or being revoked, criminal sanctions, administrative fines or the separation, suspension or termination of our operations.

Some local authorities have recently carried out actions to limit legal gaming, prescribing strict limitations for the opening of gaming halls and restrictions on their opening times. In particular, some local authorities have prescribed minimum distances between gaming halls and locations commonly defined as "sensitive locations" (schools, hospitals, churches, barracks, etc.) and prohibitions to promote and advertise the games and bets in the area. There are ongoing discussions on a national legislative level for the implementation of a new national regulation regarding the Gaming activities which may introduce the above mentioned limitations. Moreover, the Italian 2015 Stability Law required Italian VLT and AWP concessionaires and operators to pay an annual fee of €500 million in proportion to the number of VLTs and AWPs operated. In particular, each concessionaire was responsible for remitting its entire portion of the Stability Law Fee calculated on the basis of all VLTs and AWPs operated under its concession. Our portion of the Stability Law Fee for the year ended December 31, 2015 was equal to €45.8 million. The impact of the Italian 2015 Stability Law resulted in a reduction of the fees received by the Gaming Machines network operators which, in turn, resulted in a reduction of our revenues and income for the year ended December 31, 2015. In view of the possible repercussions on our business deriving from the introduction of the Stability Law Fee, Standards & Poor and Moody's changed our outlook from favorable to stable and from stable to negative, respectively. Although this fee was abolished by the Italian 2016 Stability Law, the Italian government has recently approved an increase in the taxation of VLTs and AWPs, which will further reduce our revenue and, with respect to fixed odds bets on events other than horse racing, the tax calculation scheme shifted from turnover to margins. The Italian 2016 Stability Law also provides for the replacement of all current AWPs with remote machines by the end of 2019 and the 30% reduction of the total number of AWP machines. We estimate that such replacement will cost approximately €84 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Financial Condition and Results of Operations—Gaming Market—Regulation*".

Other than the sale of top-ups and prepaid telephone cards, which is unregulated, the performance of the payments and services we offer is a regulated activity reserved for payment institutions authorized by Bank of Italy and enrolled in the register held by the supervisory authority. In order to obtain and maintain a license as a payment institution, one must comply with regulations governing, among other things, (i) the segregation of assets relating to payments and services from the assets relating to other corporate activities, (ii) regulatory capital requirements, (iii) conduct of business rules

and (iv) anti-money laundering rules and regulations. Any changes to payment and financial services regulations or to their scope may make it difficult for us to comply. Should we fail to comply with applicable regulations currently in force, we and our directors may be subject to administrative or criminal penalties, our authorization to operate as a payment institution may be revoked and customers' confidence may decline as a result. This could have a material adverse effect on our business, results of operations and financial condition, as well as on the products and services we offer. Furthermore, we are required to comply with rules aimed at protecting competition and freedom of the market. A violation of the current rules could subject us to administrative penalties and require us to pay compensation which, in turn, could result in material adverse effects on our business, results of operations and financial condition. For a further description of the regulatory framework applicable to our business, see "*Regulation*".

We operate in a competitive environment and in particular may face pressure from online offerings.

The Italian Gaming and the Payments and Services markets are particularly competitive and dynamic given the ever increasing pressure from foreign operators, keen to expand or consolidate their presence in Italy. In addition, mergers and acquisitions that have recently occurred in the Italian market may lead to increased competition in the industry in which we operate. We face competition both from land-based gaming facilities, betting shops and corners and payments and services providers, and from online operators offering such products and services. With respect to the betting sector in particular, we increasingly encounter competition from betting shops run by foreign providers ("**CTDs**") certain of which, pursuant to the Italian 2015 Stability Law, became officially-licensed gaming providers in Italy. See "— *Liberalization or other changes in the regulatory framework may increase the number of competitors in the Gaming market, including competitors who are not required to comply with all the requirements of the Italian regulatory framework*. Competition may intensify as new operators enter the market and existing operators improve and expand their product offerings, their distribution network or their distribution channels, including online and mobile phone platforms. In particular, with respect to selling top-ups for mobile phones, a service which is available on numerous competitors' networks, competition among telecommunications providers in the recent years has resulted in downward price pressure and reduced volumes, leading to a decline in our revenues and income deriving from this service. Additionally, we operate in the competitive online gaming market, and online operators have generally pursued aggressive commercial policies, such as increased advertising and welcome and loyalty bonuses. An increase in competition and aggressive commercial policies could reduce profit margins and volumes on both existing and future concessions. Gaming products are also susceptible to consumer trends, and the improvement and expansion of product offerings by our competitors attract customers away from the products and services we offer and reduce our market share. Increased competition from other gaming operators, bookmakers, convenience payment service providers and online operators, as well as from suppliers of other gaming products and convenience payment services, in any segment of our industry, including the online market, may have a material adverse effect on our business, results of operations and financial condition.

Liberalization or other changes in the regulatory framework may increase the number of competitors in the Gaming market, including competitors who are not required to comply with all the requirements of the Italian regulatory framework.

Since 2001, Italian gaming legislation has been challenged from time to time before the European Court of Justice. According to the European Court of Justice, national laws prohibiting collecting, taking, booking and forwarding offers of bets without a concession are permissible under Articles 43 EC (freedom of establishment) (now article 49) and 49 EC (freedom to provide services) (now article 56) only in cases where a national court determines such laws to be aimed at preventing criminal or fraudulent activities. Accordingly, Italian courts, including higher level courts, have ruled that in certain cases EU gaming operators authorized to operate in their home member state may begin operating in Italy without a concession, though a police license is still required. For example, Italian courts have permitted such EU gaming operators to commence operations in Italy without a concession where it is determined that the operator was unable to participate in the public tender for the concession due to restrictions put in place at the time of such tender that are found to be discriminatory against foreigner operators. As a result, several EU operators are active in the Italian Gaming market without an ADM concession. For so long as such operators are permitted to act outside the Italian regulatory framework, they may be able to obtain a competitive advantage against operators that hold an ADM concession, including Group companies, as such operators will not be subject to the restrictions imposed by the concession. In addition, the Italian 2015 Stability Law and specific ADM regulation set forth a procedure allowing CTDs in operation in Italy as of October 30, 2014 to legitimize their operations, provided that they satisfy certain conditions, including, among others, that such CTDs cure their tax exposure and connect their operations to the ADM servers. Additionally, should ADM open public tender procedures to foreign operators that, so far, are not provided with an ADM concession, we may face increased competition, which may have a material adverse effect on our business, results of operations and financial condition.

The ADM and the Italian legislature have taken certain steps in order to make Italian gaming legislation compliant with the EC Treaty and European Court of Justice statements. With the betting licenses tender procedure of July 2012, the ADM amended the concession regime with the aim to further liberalize the Gaming sector. Any change in the applicable regulatory regime that has the effect of further opening the Italian Gaming market and increasing the number of

competitors could have a material adverse effect on our financial condition and results of operations. Furthermore, should the courts determine that the recent efforts of the ADM and the Italian legislature to modify the Italian regulatory framework to comply with the European Court of Justice rulings are insufficient, operators that do not hold an ADM concession may be able to continue to operate outside the Italian regulatory framework and even increase their activities, which could have a material adverse effect on our financial condition and results of operations. With respect to our sports and betting concessions expiring on June 30, 2016, Italian 2016 Stability Law and recent ADM regulatory acts provided, *inter alia*, that current betting concessionaires will continue to operate such concessions post-expiration date until new betting concessions will be awarded following a new public tender processes that will most likely be completed by June 30, 2017 (the term to start such public tender processes was May 1, 2016 pursuant to the 2016 Stability Law).

A significant portion of our revenues and income are derived from concessions required to operate our gaming business, some of which will expire in 2016 and which, in certain cases, are subject to early termination.

We carry out a very significant portion of our activity (approximately 71.6% of revenue as of December 31, 2015) in the regulated Gaming business. Retail Gaming, Online Gaming and Lottery activities are carried out on the basis of concessions with limited duration, granted by the Italian gaming authority, ADM, to Sisal and certain Group companies. The concessions are awarded by ADM by public tender, through which the concessionaires are selected. The concessionaires and ADM enter into a concession agreement, the terms of which are set by ADM and cannot be negotiated. The expiration dates of these concessions are between June 30, 2016, as for our concessions to operate sports and horse betting corners and March 20, 2022. In relation to the concessions, the Group receives a fee calculated as a percentage of the total amount of bets collected or equivalent to the net collections from the fixed-odds betting segment. Therefore, if revenue declines as a result of a decrease in the total amount of bets, it could have a material adverse effect on our business, results of operations and financial condition. At the expiration of the existing concessions, new concessions may be awarded to one or more parties through a competitive bidding process. As part of the competitive tendering process, the ADM may decide to make available to several concessionaires a concession that had previously been exclusive. The renewal of some concessions can be very expensive and require us to contribute significant costs and resources toward the effort. Our NTNG concession, which we operate on an exclusive basis, will expire in 2018. Upon expiry, a competitive bidding process will be held by ADM to renew the concession. If we are not successful in renewing our NTNG concession, we will lose the right to offer our NTNG games, including SuperEnalotto, and to collect from our retail network the annual fee of approximately €2,000 which each point of sale pays us for the NTNG network service we provide to them and for Payments and Services. For the year ended December 31, 2015, we collected approximately €67.4 million from our network as NTNG fees. In addition, the loss of our NTNG concession may negatively impact our Payments and Services segment, as retailers may switch to competitor terminals that offer both payments services and lottery products which we would no longer be able to offer on our terminals.

While we have historically been able to maintain our concessions, if we were not able to renew concessions upon their expiration, or if the conditions for their renewal are not favorable, including for example a change in the type of concession from exclusive to multi-providing, there could be material adverse effects on our business, results of operations and financial condition.

In addition, our concessions are also subject to revocation by the ADM upon the occurrence of certain events, which are different for each concession. Under certain circumstances, a concession could be revoked if we were to undergo, *inter alia*, substantial changes in our shareholding structure with no prior authorization of ADM, or if we were to breach some of our obligations, such as failure to comply with our legal obligations relating to, among other things, the collection of sports bets or bets on horse races, failure to pay charges due, or if the concessions themselves were found to be contrary to public interest. In addition, under our concessions we are not entitled to compensation for our initial investment or loss of anticipated profits in case of early termination as a result of a breach of terms. Additionally, depending on the nature of the violation, the ADM may require the enforcement of the performance bonds granted by us in connection with the concession agreement. See "*—Acquiring or renewing a concession typically requires a significant upfront cash payment, and in the future, we may not have sufficient cash on hand or adequate access to additional capital to fund such payments*" and *"—We are subject to substantial penalties if we fail to perform under our gaming concessions or convenience payment services agreements, and we are often required to post sizeable performance bonds*". Although we believe that our activities do not depend on any specific concession, the revocation of a concession could have a material adverse effect on our business, results of operations and financial condition.

The award of our concessions could be challenged by anyone with an interest therein, including our competitors. For example, in 2008, some of our competitors filed appeals to invalidate the definitive award of our NTNG concession before the Regional Administrative Court (*Tribunale Amministrativo Regionale—TAR*), claiming that the ADM had failed to verify the adequacy and reliability of the bid submitted by Sisal and alleging that it could be qualified as an "abnormally low bid". Although we believe the appeals to be without merit (in particular because ADM did complete the specific procedure for the verification of abnormally low bids) defending the appeal proceedings to date has involved significant management time and expense and may continue to do so in the future. See *"—Business—Legal Proceedings—Pending Litigation Regarding the NTNG Concession*". It is possible that third parties may file additional appeals against us for the award of concessions, requiring additional expenditure to defend the claims, even if such claims eventually fail. Invalidation of the award of the concession for the NTNG or of other concessions we hold may

lead to the subsequent award of the concession to one of the appellants, or to a new selection procedure. This could have a material adverse effect on our business, results of operations and financial condition.

Acquiring or renewing a concession typically requires a significant upfront cash payment, and in the future, we may not have sufficient cash on hand or adequate access to additional capital to fund such payments.

For some of our concessions, the awarding process requires the winner to pay the ADM significant one-off amounts or, in an auction, the amounts due for winning that auction. For example, in 2009 the upfront fee for our VLT concession was €15,000 for each of the approximately 5,000 machines, while for our exclusive NTNG concession, we were required by the ADM to pay an upfront fee of €101.5 million.

Our ability to renew existing concessions or to be granted additional ones depends also on us having sufficient liquidity or the ability to find new sources of capital and obtain the required financial guarantees. For example, we currently have more than 4,000 concessions to operate sports and horse betting corners, that also offer Virtual Races, which are set to expire in June 2016. The concessions comprise our Retail Gaming business segment, which accounted for approximately 62.0% of total revenues and income in 2015. Upon the expiration of our concessions, new concessions may be awarded to one or more parties through a competitive bidding process. In the past, we have renewed our concessions through cash generated from operations, and we expect to fund the 2016 renewals in the same way. In particular, for the renewal of these concessions to operate sports, horse betting corners and Virtual Races, expiring on June 30, 2016, we expect our investments will be in line with prior years. Until the tender is completed, the concessionaires are allowed to continue to operate the business without any additional license costs. However, while we have historically been able to renew our concessions, our concessions may not be renewed upon expiration on favorable terms or at all. Should we not have sufficient liquidity due to the payment of penalties or should we be unable to find new financial sources or to obtain the guarantees to meet the financial commitments, our business, results of operations and financial condition may be materially adversely affected.

We are subject to substantial penalties if we fail to perform under our gaming concessions or convenience payment services agreements, and we are often required to post sizeable performance bonds.

Our concessions often require the issue of performance bonds with high maximum values to guarantee fulfillment of our obligations, and requires us to pay considerable penalties for breach of their obligations. Additionally, though not required by our license from the Bank of Italy, our payments and services agreements contractually require us to issue performance bonds which guarantee payment of the amounts collected from, for example, utility bill payments and mobile phone top-ups, net of our commission. As of December 31, 2015, our total liability under performance bonds in relation to concessions, our Payments and Services segment, tax revenues and other guarantees was €387.8 million. While we have not been in the past subject to claims under performance bonds, these bonds and penalties present an ongoing potential for substantial cash outflows. In the case of a material breach of our obligations under our concessions, claims on performance bonds and the payment of liquidated damages could individually or in the aggregate have a material adverse effect on our business, results of operations and financial condition. In addition, we may not be able to renew our outstanding performance bonds on commercially favorable terms or at all. As a result, extending the maturity of our existing performance bonds in the future could be significantly more expensive.

We are obligated to transfer certain assets upon the termination of the NTNG and gaming machine concessions, which could have an adverse effect on our business.

Upon the termination or non-renewal of our NTNG or gaming machine concessions, we could be required at the request of ADM to transfer to ADM, free of charge, ownership of certain assets that are part of the central system used to operate the concession. For example, with respect to our NTNG concession, we must return to the ADM, at no charge, ownership of the assets that make up the physical distribution network for collections of NTNG offerings, as well as ownership of all the tangible and intangible assets that comprise the distribution network, including the equipment, facilities, trademarks and anything else necessary for the full functioning and operation of the NTNG network. Upon termination of the concession, we will also be required to transfer our contracts entered with providers of the technological platforms for the VLTs network.

The obligation to transfer the NTNG assets may have detrimental effects on certain other businesses operated by us because our all-in-one terminals use the same hardware and software to conduct both our NTNG operations and our Payment and Services business. Therefore, if required to transfer NTNG assets to the ADM, we could be forced to replace these terminals, incurring additional expense in doing so. While the ADM did not exercise its right to require us to transfer the assets when a prior NTNG concession expired and was replaced with the existing concession, the ADM could in the future require such transfer with a possible material adverse effect on our business, results of operations and financial condition.

We may be subject to an unfavorable outcome with respect to pending litigation and investigations, which could result in substantial monetary damages and harm to us.

We operate in a market with a high level of litigation. At present, we are party to several civil and administrative proceedings, including employment law cases. As of March 31, 2016, the total amount of the requested compensation in such pending judicial proceedings is €27.7 million, and €4.8 million were set aside as provisions as of March 31, 2016. See "*Business—Legal Proceedings*". A negative outcome in one or more of these proceedings could require us to pay substantial monetary damages or penalties and could have a material adverse effect on our business, results of operations and financial condition. For example, in 2007 the Public Prosecutor of the Department of the State Auditor initiated formal administrative proceedings against us and all other original nine concessionaires of slot machines for allegedly failing to comply with certain obligations arising from our concession to act as an authorized network operator, resulting, in turn, in alleged loss of revenue for the Italian treasury. As part of the settlement reached with the Department of the State Auditors, we were required to pay an amount equal to €73.5 million in November 2013, which adversely affected our results for the period. Any failure to comply with obligations arising from our concessions may expose us to substantial monetary damages which, in turn, could have a material adverse effect on our business, results of operations and financial condition. Moreover, on July 2014, Mr. Baglivo, one of our retailers operating a point of sale under the NTNG concession, filed a claim against Sisal before the Court of Milan challenging certain fees paid to Sisal under the existing retail agreements. Should the Court of Milan rule in favor of Mr. Baglivo, other retailers may file similar claims under the retail gaming arrangements with Sisal.

Furthermore, we may face investigations or proceedings brought by regulatory authorities. For example, in May 2016, we received notice from the Italian National Social Security Institute ("**INPS**") challenging the designation of certain individuals who worked in some of the points of sale managed by Sisal Match Point S.p.A. (now Sisal Entertainment) as contractors as opposed to employees. Should INPS prevail in their challenge, we may be required to pay unpaid social security contributions for these individuals during the period in which they were designated as contractors. In addition, individual fines may be owed in connection with INPS' challenge. See "*Business—Legal Proceedings—Social Security Contributions*."

We are currently subject to pending tax investigations and proceedings whose outcomes are not yet assessable, but which may adversely affect our results of operations and financial condition.

Sisal has been subject to two tax audits for the fiscal period 2005 to 2009 and one tax audit for the fiscal period 2010 to 2012. In the first tax audit, the Italian Revenue Agency alleged that certain fees paid in connection with the 2006 financing by Area Giochi S.p.A. (later merged into Sisal) for the acquisition of Sisal, and VAT related to services invoiced in 2005 and 2006, should not have been deducted. In the second tax audit, the Italian Tax Police alleged that interest expenses incurred in connection with the 2006 acquisition financing by Area Giochi S.p.A should not have been deducted. As a result of the first two tax audits, in 2009, Sisal received a formal assessment notice for the year 2005 related to a deduction for the VAT on services of approximately €0.5 million, plus interest and penalties. The tax challenge has been appealed and the dispute is now pending before the Supreme Court. Due to an unfavorable decision by the competent Regional Tax Court, Sisal made provisional payments of €1.06 million plus interest. Furthermore, Sisal received a formal assessment notice for the year 2006 related to same challenge claiming non deductible VAT of approximately €0.1 million, plus interest and penalties. The tax challenge has been appealed but the first-tier court hearing has not be held yet. In 2014, Sisal received a separate formal assessment notice related to the alleged unlawful deduction of certain interest expenses incurred in connection with the 2006 acquisition financing for an amount of taxes, penalties and interest of approximately €38.0 million for the years 2006 to 2009; Sisal (and Sisal Group S.p.A. as consolidating company) have filed appeals against such assessment notices before the Provincial Tax Court of Milan, but the first-tier court hearing has not been held yet.

The third tax audit was performed, by the Large Taxpayers Office, Lombardy Regional Office of the Italian Tax Agency, in 2015 for the fiscal period 2010-2012. This tax audit contains a number of findings mainly referring to the deductibility of interest expenses deriving from the LBO transaction and the VAT deduction based on the argument that the turnover deriving from the sale of prepaid cards should not be computed entirely in calculating the VATable supplies for the purposes of determining the percentage of VAT deduction (pro rata IVA) but should be considered only to the extent of the margin retained by Sisal in its intermediation activity. As a result of this tax audit: (a) in 2015, Sisal received a formal assessment notice for the year 2010 containing the challenge of non-deductibility of input VAT for an amount of VAT and penalties of approximately €5.4 million, plus interest. Sisal appealed against the assessment notice before the Provincial Tax Court; and (b) in March 2016, the Revenue Agency issued the assessment notice for 2010 claiming the non-deductibility of interest expenses for such period for an amount of taxes and penalties of approximately €5.9 million plus interest incurred in connection with the 2006 financing by Area Giochi S.p.A. for the acquisition of Sisal. Given that the third tax audit in 2015 also covers 2011 and 2012 tax periods it may be reasonably expected that the Revenue Agency will issue similar assessment notices for such tax periods amounting approximately for taxes and penalties to €8.6 million plus interest and for VAT and penalties to €6.3 million plus interest. A negative outcome of the tax proceedings described above or similar tax proceedings which may be initiated in the future on the same ground could require us to pay substantial monetary taxes and penalties and could have an adverse effect on our results of operations and financial condition.

Between 2011 and 2015, Sisal Entertainment received assessment notices relating to the alleged application of an incorrect depreciation rate for AWPs for the fiscal periods 2006 to 2010 for taxes and penalties of approximately €4.3 million excluding interest. Following unsuccessful appeals for the fiscal years 2006, 2008 (currently pending before the Italian Supreme Court), and 2009 (currently pending before the Regional Tax Court), Sisal Entertainment has made provisional payments for a total amount of €2.2 million up to December 31, 2015. No ruling has been issued on the appeal before the Provincial Tax Court of Milan filed for 2010 whereas, with respect to 2007, Tax Authorities appealed before the Italian Supreme Court against the favorable judgment of the Regional Tax Court, and no ruling has been issued yet. For further information regarding these matters, see *"Business—Legal Proceedings—Tax matters"*.

Changes to taxation or the interpretation or application of tax laws could have an adverse impact on our results of operations and financial condition.

Our business operations are subject to a number of taxes and fees, including value-added-tax (VAT) and specific gaming-related taxes calculated with reference to turnover. For example, in sports betting, we pay a percentage of sports betting turnover to ADM, with the applicable tax rate percentage payable determined with reference to the number of events on which a customer has placed a bet. The levels of taxation to which our operations are subject could increase in the future. For example the Italian 2015 Stability Law charged VLTs and AWPs concessionaires an annual fee of €500 million, to be allocated on the basis of the number of devices operated under each concession. This fee was subsequently abolished by the Italian 2016 Stability Law and replaced with a further increase in the taxation of VLTs and AWPs from 5.0% to 5.5% and from 13.0% to 17.5%, respectively, together with a shift in the tax calculation scheme for betting and gaming operators. Changes in tax law or other laws supersede the terms of our concessions and we are 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 our operations will be subject, could have a material adverse effect on the business, financial condition and results of operations of our business. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our Group companies pursuant to, for example, loan agreements, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant Italian tax authorities regarding the application, administration or interpretation of these laws or regulations, could have a material adverse effect on our business, financial condition and results of operations.

Moreover, the withholding tax treatment of interest paid to lenders based in the United Kingdom under any present or future loan could be negatively affected as a result of the in-or-out referendum held in the United Kingdom on June 23, 2016 regarding its membership within the European Union (as further described below) and, to the extent such lenders are entitled to gross up in case of change in law, this may increase the cost of our financing.

In addition, tax law and administration is complex and often requires us to make subjective determinations. For example, tax authorities may not agree with the determinations that are made by us with respect to the application of intercompany pricing, income tax or VAT law. We are from time to time subject to tax audits and investigations by the tax authorities, which include investigations with respect to the direct tax and indirect tax regime of our transactions. In addition, the relevant tax authorities may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our existing as well as previously incurred and subsequently refinanced indebtedness, including the Notes, existing and future intercompany loans and guarantees or the deduction of interest expenses. Such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts of tax, interest and penalties, which could have a material effect on our results of operations. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of several of our transactions or financing arrangements, which could result in unfavorable tax treatment for such transactions or arrangements, and possibly lead to significant fines or penalties. It may be necessary to defend our tax filings in court if a reasonable settlement cannot be reached with the relevant tax authorities and such ensuing litigation could be costly and distract management from the other affairs of our business. Tax audits and investigations by the competent tax authorities may generate negative publicity which could harm our reputation with customers, suppliers and counterparties. An adverse tax adjustment in connection with our business could have a material adverse effect on our business, financial condition and results of operations.

Our business may be adversely impacted by economic weakness and political uncertainty, particularly in Italy.

Global economic activity has undergone a sharp downturn since 2007 and recent recovery has been inconsistent and slower than anticipated. Global credit and capital markets have experienced volatility and disruption and business credit and liquidity have tightened. Credit has also contracted in a number of major markets, including Italy, and national unemployment rates have increased significantly. Economists, observers and market participants have expressed concern regarding the sustainability of the European Union and its common currency, the euro, in their current form. Global economic conditions and conditions specific to Italy may adversely affect our sales and profitability. In December 31, 2014, Standard and Poor's downgraded Italy's sovereign debt rating to just above sub-investment grade, reflecting their views on Italy's lower-than-expected economic growth and its vulnerability to external financing risks and the negative implications these could have for the future economic growth. A further downgrade of the Italian sovereign could create additional economic uncertainty and could have an adverse effect on our credit ratings. The economic and political

developments have had a negative impact on Italy's growth, and continued uncertainty could lead to further deterioration of investor and market confidence. The political uncertainty could also lead to delays in legislative or regulatory initiatives in the gaming and convenience payment services industries.

In addition, the United Kingdom held an in-or-out referendum on June 23, 2016 regarding its membership within the European Union, in which a majority of the voters voted in favor of the British government taking the necessary actions for the United Kingdom to leave the European Union. A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union. Details around the negotiation process, including the length of time this process will take and the likely outcome, remain unclear. The implications of the United Kingdom withdrawing from the European Union and the impact this will have on our business are similarly unclear because they will depend, among other things, on the outcome of the negotiation process. It is also possible that other members of the European Union could hold a similar referendum regarding their membership within the European Union in the future. The uncertainty that has been created by the British referendum (which could continue during the period of negotiation) and the exit of the United Kingdom from the European Union could adversely affect European and worldwide economic and market conditions and could contribute to further instability in global financial markets. Such volatility and negative economic impact could, in turn, have a material adverse effect on our business, financial condition and results of operations and could adversely affect the value and trading of the Notes.

Our business may be sensitive to reductions in discretionary consumer spending, which is affected by negative economic conditions. For example, economic contraction, economic uncertainty and the perception by our customers of weak or weakening economic conditions could cause a decline in the demand for entertainment in the forms of the gaming services that we offer. In addition, changes in discretionary consumer spending could be driven by factors such as an unstable job market, an increase in personal taxes or perceived or actual decline in disposable consumer income and wealth. Weakening economic conditions also impact our points of sale, and we have in the past, and may in the future need to, reduce the point of sale fees paid to us by point of sale owners or increase the commissions we pay to point of sale owners in order to maintain their retail affiliation in difficult economic periods. Additionally, during 2012, a number of our point of sale managers and operators became insolvent. We only have operations in Italy and therefore we may be more affected by economic weakness or uncertainty in Italy than some of our competitors with international operations. It is difficult to determine the breadth and duration of the economic and financial market problems and their potential effects on demand for our products and our suppliers. Continuation or further worsening of these difficult financial and macroeconomic conditions could materially adversely affect our business, results of operations and financial condition.

Negative perceptions and publicity surrounding the gaming industry could lead to increased gaming regulation, which could adversely affect our business.

The Gaming and Betting industry has been exposed to growing negative publicity related to gaming behavior, gaming by minors, the presence of gaming machines in too many shops, risks related to online gaming and alleged association with money laundering. Recently introduced local rules implemented different measures aimed at preventing the increased level of gambling, such as tax reliefs for operators that remove slot machines from their points of sale. Publicity regarding problem gaming and other concerns with the gaming industry, even if not directly connected to us and our products, could adversely impact our business, results of operations and financial condition. For example, if the perception develops that the gaming industry is failing to address such concerns adequately, the resulting political pressure may result in the industry becoming subject to increased regulation. Such an increase in regulation could adversely impact our business, results of operations and financial condition.

We depend on partners and retailers, as well as a number of third party suppliers, for the operation of our business, and problems with such partners, retailers or suppliers could adversely affect us.

We rely on partners and retailers from our Branded Channel for the points of sale operated under our brand and from our Affiliated Channel for the points of sale connected electronically with our information system. We also rely on a number of third party suppliers who provide us with products and services. We do not control these partners, retailers and third party suppliers, and we rely on them to perform their services in accordance with the terms of their contracts, which increases our vulnerability to problems with the products and services they provide. We 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 us, and where a partner or retailer is operating under our brand, such failure may also negatively impact our reputation and consumer loyalty. Partners, retailers and third party suppliers may also seek to recover losses from us under indemnities or in respect of breaches of obligations or warranties under their agreements with us. Such events could have a material adverse effect on our reputation, business, results of operations and financial condition.

Our failure to successfully maintain and enhance our brands could adversely affect our business.

Our success is dependent in part on the strength of our brand. We believe that we have a long-established, trusted and widely recognized brand and reputation in Italy and that our brand represents a competitive advantage in the development of our gaming and convenience payment service activities. We also believe that our success will be dependent on

maintaining and enhancing the strength of our brand also by increasing the number of our directly managed points of sale with proprietary brands, to promote customer loyalty. See "*Summary—Business Strategy*". We cannot assure you that this effort, or any of our other brand management initiatives, will be successful. If we are unable to enhance or maintain the strength of our brand, then our ability to expand or retain our customer base may be impaired, and our business, results of operations and financial condition may be adversely affected.

Illegal gaming may drain significant portions of gaming volumes away from the regulated industry and adversely affect our business.

A significant threat for the entire Gaming business market arises from illegal activities such as illegal slot machines and, more generally, all forms of gaming that circumvent public regulation, including offshore gaming. See "*—Liberalization or other changes in the regulatory framework may increase the number of competitors in the Gaming market, including competitors who are not required to comply with all the requirements of the Italian regulatory framework*". Such illegal activities drain gaming volumes away from the regulated industry. For example, illegal online poker and casino games and other online games offered by unauthorized operators deprive the regulated sector of significant volumes of proceeds and take away a portion of those players that are the focus of our online gaming business. The loss of such players could have an adverse effect on our business, results of operations and financial condition.

Changes in consumer preferences and behavior could harm our business.

Our Gaming business is dependent on the appeal of our gaming offerings to our customers. Our gaming offerings compete with various other forms of gaming venues and opportunities, as well as other forms of entertainment such as television, the Internet, social media and live events, and may lose popularity as new leisure activities arise or as other leisure activities become more popular. In particular, we must be able to identify new trends and changes in consumer's tastes and lifestyles in order to continue expanding our customer base. For example, lower average SuperEnalotto jackpots and payouts reduced the game's appeal to customers with a significant negative impact on the public's propensity to play. Consumer preference towards increased payouts and winning odds, richer jackpots and higher frequency wins led, in turn, to a decrease of our revenues generated by our Lottery products for the last three years. The popularity and acceptance of gaming is also influenced by the prevailing social mores, and changes in social mores could result in reduced acceptance of gaming as a leisure activity. The rapid expansion of the online channel may render our land-based products less desirable or oblige us to incur significant capital expenditures to meet customer demand. Even if we are able to satisfy changing consumer preferences, we may experience cannibalization in relation to some of our other product offerings; for example, the introduction of gaming products with a higher payout may attract customers that previously played games with a lower payout and therefore generated more revenues and income.

Our payments and services business is dependent on the cultural appeal of making payments through "local" channels such as bars, newsagents or online platforms. If consumer preferences change and we fail to anticipate or address such changes with new offerings, we could experience reduced demand. For example, we have recently completed the roll-out of cashless payments and services terminals, equipped with contactless technology, in our entire network, but such terminals may not prove to be attractive to consumers, and a shift in consumer preference towards, or an increased availability of, direct debit or other forms of automatic bill payment could reduce demand for our convenience payment services offerings. Direct debit or other forms of automatic bill payment have become increasingly popular in many countries, such as the United Kingdom and the United States. To the extent that the popularity of our gaming products or "local" payment services declines, the demand for our offerings will decline and our business, results of operations and financial condition may be adversely affected.

Our failure to keep up with technological developments in the online gaming and convenience payment services market, or to continually develop our technological expertise, could negatively impact our business, results of operations and financial condition.

The market for online gaming products and for payments and services is characterized by rapid technological developments, frequent new product and service offerings and evolving industry standards. The emerging character of these products and services and their evolution requires us to use technologies effectively, enhance and expand our current offering of products and services and continue to improve the performance, features and reliability of our technology and information systems. In addition, the widespread adoption of new Internet technologies or the online gaming and payments and services market sector's technological standards could require substantial expenditure to replace, upgrade, modify or adapt our technology and systems, which could negatively impact our business, results of operations and financial condition. From time to time we also need to replace certain of our information technology, which can be costly.

The technology we are currently using may be rendered obsolete by new technologies and more advanced systems introduced in the industry. In addition, new technology we use may contain design defects or other product flows and require modifications or result in a loss of confidence in our products and services by our customers. Moreover, we depend on third-party technology providers for the development and maintenance of certain of our systems, and any

failure to maintain relationships with such providers would negatively impact our business, results of operations and financial condition.

We may experience significant losses on our fixed-odds betting products from time to time.

In fixed-odds betting, winnings are paid on the basis of the stake placed and the odds quoted, rather than derived from a pool of stake money received from all customers. Our fixed-odds betting products give rise to either a liability to make a certain payment to a customer, or the retention by us of the stake placed by such customer. In 2015, we generated total revenues and income of €89.6 million from our offline and online fixed-odds betting activities. However, as a result of significant winnings or losses event by event and day by day, our earnings in our betting business can be volatile and we cannot guarantee positive returns. For example, 2012 was a year that was particularly unfavorable to bookmakers, with fixed-odds betting products reaching an average payout ratio of 86.2%, the highest payout rate in the last seven years. Any significant losses due to a high payout could have a material adverse effect on our cash flow and therefore a material adverse effect on our business, results of operations and financial condition.

The systems and controls we have in place to manage the risks related to fixed-odds betting may not be effective. For example, although we employ a team of bookmakers who use market betting data monitoring service provided by Betradar to determine the odds at which we will accept bets in relation to any particular event, it is possible that our service, our bookmakers or other members of the Group may make errors of judgement or other mistakes in relation to interpreting such market data and the compilation of odds. Significant misjudgments or mistakes made by us in relation to odds compilation or other failure of our risk management systems could result in us incurring significant losses which could have a material adverse effect on our business, results of operations and financial condition. See "*Business—Operating Segments—Retail Gaming—Fixed-odds Betting*".

Our business prospects and future success rely upon the integrity of our employees and executives and the security of our systems.

The real and perceived integrity and security of our employees, executives and systems is critical to our ability to attract customers and comply with applicable regulations. We strive to set high standards of personal integrity for our employees and system security for the games and convenience payment services that we provide to our customers. Our reputation in this regard is an important factor in our business dealings with governmental agencies and our business partners and customers. Accordingly, a finding of improper conduct on our part, or on the part of one or more of our current or former employees or another related party that is attributable to us, or a system security defect or failure attributable to us, or an allegation of such conduct that impairs our reputation, could result in civil or criminal liability for us and could have a material adverse effect upon our business, results of operations and financial condition including our ability to retain or renew existing concessions and licenses or obtain new concessions and licenses.

The tender process and the award of concessions by public authorities involve risks associated with fraud, bribery of officials involved in the tender process and corruption or allegations thereof. Although we maintain internal monitoring systems, we may be unable to detect or prevent every instance of fraud, bribery and corruption involving our employees or agents in the future. We may therefore be subject to civil and criminal penalties and to reputational damage as a result of such occurrences. Proceedings and convictions even if not definitive (i.e., subject to further appeal), with regard to certain crimes including, *inter alia*, bribery and corruption may render us ineligible to maintain our awarded concessions or to participate in future public tenders to acquire or renew concessions. The involvement or association of our employees or agents with fraud, bribery or corruption and other crimes committed in relation to our activities, or allegations or rumors relating thereto, could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to credit risk and may incur losses as a result of such exposure.

We rely on our partners and retailers to operate the majority of the points of sale in our distribution network. See "*—We depend on partners and retailers, as well as a number of third party suppliers, for the operation of our business, and problems with such partners, retailers or suppliers could adversely affect us*". These partners and retailers are responsible for, among other things, collecting the cash at their respective point of sale and transferring to us such amounts, net of their commission, on a weekly or semi-weekly basis. The obligations of partners and retailers to pay us are not secured by collateral and therefore we bear the risk that our partners and retailers will be unable to pay amounts due to us. Moreover, in the event that we do not receive payment, we remain liable to the Republic of Italy for the payment of related gaming taxes and liable to our payment and services partners for the payment of mobile phone top-ups, utility bills and other bills paid using our terminals. Though we monitor the credit of our partners and retailers, such partners and retailers typically experience fluctuations in demand based on economic conditions, consumer demand and other factors beyond our control, which in turn impacts their creditworthiness. To protect us against the related financial liability we make and regularly adjust provisions for bad debt. In 2015, we made accruals to the provision for bad debt in the amount of €11.9 million, representing 0.1% of total 2015 turnover. Despite these provisions, we may not be able to limit our potential loss if a significant number of partners and retailers are unable to pay amounts due to us on a timely basis, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, our business is cash intensive, with a significant portion of our revenues and income generated through cash transactions. We invest the cash we generate with a number of banks through commercial bank deposits, and as such we are dependent on the creditworthiness of such financial institutions. Any insolvency or failure of one or more of the financial institutions with which we do business could result in any deposits we have with such financial institutions being unavailable for an extended period of time or lost altogether.

Our business depends on certain key persons, and the loss of such persons, or difficulties attracting new employees, may impact our business and ability to implement our strategy.

Our success depends on certain key persons. In particular, members of our senior management team have contributed and continue to contribute to our business. See "*Summary—Competitive Strengths*". If any of these key persons terminate their relationships with us or otherwise no longer continue to work with us, our business and implementation of our strategy may be materially impaired and we may not be able to replace them on a timely basis with other professionals capable of making comparable contributions to our business.

We may make acquisitions that prove unsuccessful or strain or divert our resources.

We intend to grow our business in part by acquiring other businesses. See "*Summary—Business Strategy*". For example, in August 2014, we acquired the entire corporate capital of Acme S.r.l., a company whose main business is designing and manufacturing gaming and money changer machines, in November 2013 we acquired a business segment of Merkur Interactive Italia S.p.A., a betting and gaming business, for a consideration of €21.0 million, resulting in the addition of concessions for 75 existing agencies and 29 new concessions, in January 2013, we acquired 60% (and subsequently acquired the remaining 40% in 2015) of Friulgames S.r.l., an Italian operator of approximately 2,000 slot machines and in 2011, we acquired Ilio Group, which added 32 betting shops and 68 betting corners to our portfolio. Successful growth through future acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms and ultimately complete such transactions and integrate the acquired business into our Group. If we make acquisitions, we may not be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. Our assessments of and assumptions regarding acquisition targets may not prove to be correct, and actual developments may differ significantly from our expectations. We may not be able to integrate acquisitions successfully and such integration may require more investment than we expect, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees, suppliers, government authorities or other parties, which may impact our results of operations and financial condition. The process of integrating businesses may be disruptive to our operations, as a result of, among other things, unforeseen legal, regulatory, contractual and other issues, difficulties in realizing operating synergies or a failure to maintain the quality of services that we have historically provided as a result of which our results of operations may decline. Moreover, any acquisition may divert management's attention from our day to day business and may be financed with additional debt, which could reduce our profitability and harm our business and financial condition.

Our business is subject to sports scheduling and other seasonal factors as well as extraordinary events, which may adversely affect our results of operations.

In our offline and online betting offerings, the volumes of bets we collect over the course of the year are affected by the schedule of sports events on which we accept bets. The professional football season in Italy usually runs from late August to mid-May. As a result, we have historically recorded higher betting revenues and income in these months. The volumes of bets we collect are also affected by the schedules of other significant sporting events that occur at regular but infrequent intervals, such as the FIFA Football World Cup, UEFA European Football Championship and the Olympics. As a result of the seasonality for the sporting season, our income from offline and online betting activities can vary significantly throughout the year, and on a year-to-year basis. Our Lottery business unit is also affected by seasonality, as the sale of lottery tickets typically decreases in the summer months.

Additionally, extraordinary events may affect our betting activities. For example, although the horse racing schedule in Italy runs for the full year, strikes in the horse racing industry in Italy, such as a strike by the owners of horse racing tracks in January and February 2012, which reduced the number of horse racing events held in 2012, can have an adverse impact on our revenues and income from horse betting. Cancellation or curtailment of significant sporting events, for example, due to adverse weather conditions, terrorist acts, other acts of war or hostility, outbreak of infectious diseases, betting scandals or the failure of certain sporting teams to qualify for sporting events, would adversely impact our business, results of operations and financial condition.

We are dependent on credit card payment service providers and other financial institutions to process payments and handle cash generated by our business.

We accept credit and debit card payments from customers. Certain U.S.-based card schemes and card-issuing institutions currently restrict the use of their credit cards for online gaming and betting transactions. Should all or an additional

number of the major card programs or card issuing companies stop accepting payment transactions for gaming operations, our business, results of operations and financial condition could be materially adversely affected.

Our business is dependent on banks, credit card companies, payment processors and other financial institutions, networks and suppliers to enable funds to be paid in and withdrawn by our customers. Each of these entities depends upon an intricate network to facilitate international and multi-currency fund transfers. Any disruption in those systems or relationships could have a material adverse effect on our business, results of operations and financial condition. Moreover, we are dependent upon payment service providers, some of which are responsible for data transfers only but others of which are responsible for the handling and transmission of cash. Should these third party payment service providers become unwilling or unable to remit monies, our business, results of operations and financial condition could be materially adversely affected.

In addition, we are exposed to the risk of chargebacks. Chargebacks occur when customers, card issuers or payment processors seek to void credit card or other card payment transactions. Customers may seek to reverse their real money losses through chargebacks. Currently, we are liable for chargebacks to the extent they exceed 1% of our turnover on card payments. Although we have not been liable for chargebacks in the past, we may be exposed to chargebacks in the future which could adversely affect our business, results of operations and financial condition.

We may fail to detect money laundering or fraudulent activities of our customers, which may adversely impact our reputation, business and financial condition.

We are exposed to the risk of money laundering and fraudulent activities by our customers, including with respect to our convenience payment service offerings, as well as the potential collusion between online gaming customers. Also, in order to comply with the anti-money laundering provisions of Italian Legislative Decree no. 231 of November 21, 2007, as subsequently amended, we have implemented internal control systems that monitor unusual transaction volumes or unusual transaction patterns and screen the personal details of our customers, but these systems may not always succeed in protecting us and our customers from money laundering and fraud. In addition, we are subject to Italian Legislative Decree No. 231 of June 8, 2001, as amended, on corporate crimes, including breaches of anti-money laundering provisions. In November 2014, the Financial Intelligence Unit of the Bank of Italy ("**UIF**") conducted a review of Sisal Group S.p.A. and Sisal Entertainment to verify compliance with the provisions governing terrorism financing and money laundering with regard to the timeframe 2012-2014. During its inspection, which took approximately six months, UIF analyzed approximately 40,000 transactions and identified 17 transactions as potentially suspicious. As a result of such UIF review, in May 2015, UIF commenced an administrative proceeding against Sisal and Sisal Entertainment for alleged failure to report five suspicious transactions (out of the 17 identified as potentially suspicious). We have filed our defense briefs requesting a hearing which has not yet been set. Pursuant to applicable laws and regulations the applicable sanction for failure to report suspicious transactions is a monetary fine, which with respect to the alleged breaches identified by UIF following its inspection, could total up to approximately €630,000.

Pursuant to applicable Italian anti-money laundering legislation, failure by us to comply with anti-money laundering identification, verification, monitoring and reporting obligations provided for by gaming and betting concessionaires and payment institutions triggers administrative fines. Willfully perpetrated acts of money laundering also trigger criminal sanctions (including operational bans) in accordance with the applicable law provisions. To the extent we are not successful in protecting ourselves or our customers from money laundering or fraud, or if we fail to comply with the applicable regulations, we could be subject to administrative fines and could directly suffer loss, the revocation of concessions (with respect to significantly serious breaches) and licenses, increased difficulties in renewing concessions and licenses and the loss of confidence of our customer base, any of which could have a material adverse effect on our reputation, business, results of operations and financial condition.

Our failure to comply with regulations regarding the use of personal customer data could subject us to lawsuits or result in the loss of goodwill of our customers and adversely affect our business and financial condition.

We process sensitive personal data on customers and retail shop owners (including name, address, age, bank details and betting and gaming history) as part of our online business and as part of our payments and services business and therefore must comply with strict data protection and privacy laws in Italy. Such laws restrict our ability to collect and use personal information relating to customers and potential customers, including the marketing use of that information. Notwithstanding such efforts, we are exposed to the risk that data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by us or on our behalf. If we fail to transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, we could face liability under data protection laws. This could also result in the loss of the goodwill of our existing customers and deter new customers from using our services, which would have a material adverse effect on our business, results of operations and financial condition.

Additionally, changes to the wider EU data protection regime resulting from Regulation (EU) 2016/679 of April 27, 2016 (the "**GDPR**") that repealed the former European data protection directive, may also impact our operations. The GDPR

will increase both the number of and the restrictive nature of the obligations binding on us for the collection and processing of personal data. In particular, the GDPR provides for:

- higher applicable maximum fines, up to the greater of (i) €20 million or (ii) 4% of annual global turnover per breach, as opposed to fines of less than € 1 million under the current regime;
- more onerous consent requirements, as consent under the GDPR will be required to be express/opt-in, compared to the implied/opt-out consent, which at times has been deemed sufficient under the current regime;
- stronger rights for individuals, including an individual "right to be forgotten", which would require us and other companies to permanently delete a user's personal data in certain circumstances;
- other requirements to implement internal processes and controls and compulsory data breach notification (which would require us to promptly notify both the applicable national regulator and any individuals affected by a data breach).

While the GDPR entered into force on May 24, 2016, its provisions will only be effective from May 25, 2018. Prior to this effectiveness date, we will be required to make significant changes to the way we collect, process and store personal data, which could be costly. Such changes could have a material adverse effect on our business, financial condition and results of operations.

The technological solutions we have in place to block access to our online services by players in certain jurisdictions may prove inadequate, which may harm our business and expose us to liability.

Historically, the Gaming market has been regulated at a national level, and currently there is no international gaming regulatory regime. Although the regulatory regime for land-based gaming operations is well established in many countries, the gaming laws in such countries may not necessarily have been amended to take account of the Internet and the ability to offer gaming services online. As a result, there is uncertainty as to the legality of online gaming in a number of countries. In the United States, for example, the offer of gaming products and services online is illegal in most states. We have systems and controls in place seeking to ensure that we offer gaming products via the Internet to Italian residents only and that we exclude access to our system from certain jurisdictions, such as the United States. The systems and controls include monitoring and analyzing information provided by potential customers' registered addresses, methods of customers' payment, specific registration procedures (for example, access to our online betting system is permitted only to customers who have completed a registration process and can provide an Italian residence address and an Italian Fiscal Code), as well as a geo-locator filtering technology that identifies the location of users logging onto our websites. Despite the adoption of these measures, our procedures may not be effective. A court or other governmental authority in any jurisdiction could take the position that our systems and controls are inadequate, either currently or as a result of technological developments affecting the Internet, or that our current or past business practices in relation to such jurisdiction violated applicable law. If any such actions were brought against us or our management, whether successful or not, we may incur considerable legal and other costs, management's time and resources may be diverted, and any resulting dispute may damage our reputation and brand image and have a material adverse effect on our business, results of operations and financial condition.

Although we seek to comply with and monitor the relevant laws and regulations, we are also exposed to the risk that jurisdictions from which our advertisements may be accessed via the Internet may have conflicting laws and regulations (or interpretations of such laws and regulations) with regard to the legality or appropriate regulatory compliance of our activities. Accordingly, we may be subject to the application of existing or potential laws and regulations, fees or levies in jurisdictions in which our advertisements can be accessed via the Internet. Any such laws, regulations, fees or levies may have a material adverse effect on our business, results of operations and financial condition. Our exposure to this risk will increase to the extent we are able to grow our online operations.

Our information technology systems may be vulnerable to hacker intrusion, malicious viruses and other cybercrime attacks, which may harm our business and expose us to liability.

The games, betting and convenience payment services offered at our points of sale depend to a great extent on the reliability and security of our information technology 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 our system could have a negative effect on the quality of products and 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 us to pay damages or compensation under the concession. As we also offer 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 us to liability for losses by players or to fines from the applicable governmental authorities for failure to provide the required level of service under our concessions.

Our intellectual property could be subject to infringement by third parties or claims of infringement of the rights of third parties, which could adversely affect our business, results of operations and financial condition.

We regard our copyright, trademarks, domain names, trade secrets, customer databases and similar intellectual property as critical to our success. We rely on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and other contractual provisions in order to protect our intellectual property. These efforts may not be adequate, and third parties may infringe upon or misappropriate our proprietary rights. For example, consultants, vendors, former employees and current employees may breach their obligations regarding non-disclosure and restrictions on use. In addition, intellectual property laws in Italy and other jurisdictions may afford differing and limited protection, may not permit us to gain or maintain a competitive advantage, and may not prevent our competitors from duplicating our products or gaining access to our proprietary information and technology. In addition, anyone could seek to challenge, invalidate, circumvent or render unenforceable any of our intellectual property. Such claims, whether or not valid, could require us to spend significant sums in litigation, pay damages, re-brand or re-engineer services, acquire licenses to third party intellectual property and distract management attention from the business, which may have a material adverse effect on our business, results of operations and financial condition.

In addition, we license intellectual property rights from third parties such as Playtech, which contain change of control provisions. If such third parties do not properly maintain or enforce the intellectual property rights underlying such licenses, or if such licenses are terminated or expire without being renewed, we could lose the right to use the licensed intellectual property, which could adversely affect our competitive position.

We have recorded a significant amount of goodwill and we may not realize the full value thereof.

We have recorded a significant amount of goodwill. Total goodwill, which represents the excess of the cost of acquisitions over our interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, was €860.9 million as of December 31, 2015, or 54% of our total assets. Goodwill is recorded on the date of acquisition and, in accordance with IFRS, is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations (including changes that restrict or otherwise affect our gaming or convenience payment services activities) and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our income statement. We recorded goodwill impairment charges in an amount of €19.5 million for the year ended December 31, 2015. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS.

Our Unaudited Condensed Consolidated Interim Financial Statements and the Consolidated Financial Statements included elsewhere in this offering memorandum contain notes expressing doubt as to our ability to continue as a going concern.

During the three months ended March 31, 2016 we generated a profit of €2.1 million, at March 31, 2016 the consolidated equity was negative €6.4 million and net working capital was negative at €156.9 million and during the year ended December 31, 2015 we experienced a loss of €39.7 million, consolidated equity at December 31, 2015 was negative at €8.5 million and our net working capital was negative at €158.3 million. While the notes to our Unaudited Condensed Consolidated Interim Financial Statements and the notes to our Consolidated Financial Statements, each included elsewhere in this offering memorandum, do not take into account the effects of the Transactions, our net working capital position may further deteriorate or we may be unable to generate sufficient profits to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of the uncertainty regarding our ability to continue as a going concern. Should there be further doubt as to our ability to continue as a going concern, we may have to raise additional debt, which may impair our ability to service our indebtedness and meet our other obligations and commitments. We might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. Refinancings or asset dispositions may not be effected on a timely basis or on satisfactory terms, if at all, or may not be permitted by the terms of our debt instruments. For more information, see "*Presentation of Financial and Other Information"*.

Risks Related to Our Financing Arrangements

Our high leverage and debt service obligations could adversely affect our business.

Upon consummation of the Transactions, we will be highly leveraged and will have significant debt service obligations. As of March 31, 2016, after giving pro forma effect to the Transactions, the principal amount of our indebtedness would have been €725 million. As of the same date, after giving pro forma effect to the Transactions, we would have had approximately €125 million available for borrowing under our New Revolving Credit Facility. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*". We anticipate that our high leverage will continue for the foreseeable future and could have material consequences for the holders of the Notes, including:

- making it more difficult for us to satisfy our debt obligations, including under the Notes;

- increasing our vulnerability to a downturn in our business or economic and industry conditions;
- limiting our ability to obtain additional financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- requiring us to dedicate a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, reducing the availability of cash flow to fund our operations and for other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, competitive environment and industry; and
- restricting us from investing in customer acquisitions, growing our business, pursuing strategic acquisitions and exploiting certain business opportunities.

Our ability to service our indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond our control. If we cannot service our indebtedness and meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

We may incur additional indebtedness, including at the level of our subsidiaries, which could increase our risk exposure from debt and could decrease your share in any proceeds.

Subject to restrictions in the Indenture and restrictions in the New Revolving Credit Facility Agreement, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. We have the ability to borrow up to €125 million under our New Revolving Credit Facility, which borrowings and indebtedness are secured. The terms of the Indenture permit us to incur additional debt.

Our subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with our substantial leverage. If any of the subsidiaries of the Issuer and, following the Post-Completion Merger, MergerCo, that do not guarantee the Notes incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of such subsidiaries. See "*Description of Certain Financing Arrangements*". If we incur additional indebtedness, the related risks that we currently face, as described above and elsewhere in these "Risk Factors", could intensify.

We are subject to restrictive covenants under the New Revolving Credit Facility Agreement and the Indenture, which could impair our ability to run our business.

Restrictive covenants under the New Revolving Credit Facility Agreement and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The New Revolving Credit Facility Agreement and the Indenture contain negative covenants restricting, among other things, our ability to:

- make certain loans or investments;
- incur indebtedness or issue guarantees;
- sell, lease, transfer or dispose of assets and subsidiary stock;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions; and
- enter into transactions with affiliates.

The restrictions contained in the New Revolving Credit Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations,

make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the New Revolving Credit Facility Agreement or the Indenture.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

We may not be able to generate sufficient cash to meet our debt service obligations, or our obligations under other financing agreements, in which case our creditors could declare all amounts owed to them due and payable, leading to liquidity constraints.

Our ability to make interest payments on the Notes and to meet our other debt service obligations, including under the New Revolving Credit Facility Agreement and the Indenture, or to refinance our debt, depends on our future operating and financial performance, which in turn depends on our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors that are beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures or investments or sell material assets. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. If we are also unable to satisfy our obligations on other financing arrangements, we could be in default under the New Revolving Credit Facility Agreement, the Indenture and other relevant financing agreements which we may enter into in the future. In the event of a default under the New Revolving Credit Facility Agreement or certain other defaults under any other agreement, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all amounts that we have borrowed under our credit facilities and other indebtedness to be due and payable, together with accrued and unpaid interest. Such a default, or a failure to make interest payments on the Notes, could mean that borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Notes and the New Revolving Credit Facility, may as a result also be accelerated and become due and payable. If the debt under the New Revolving Credit Facility or the Notes or any other material financing arrangement that we have entered into or will subsequently enter into were to be accelerated, our assets may be insufficient to repay the Notes in full. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event. Also, any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*".

Our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of, Italy. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant Italian authority regarding the application, administration or interpretation of these laws or regulations, could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. In addition, the tax authorities in Italy may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our former transactions, including the tax treatment or characterization of our indebtedness, including the Notes, and future intercompany loans and guarantees or the deduction of interest expenses. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of various of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. The Italian tax authorities served Sisal with several tax audit reports alleging that interest expenses incurred in connection with the 2006 acquisition financing by Area Giochi S.p.A. (then merged with Sisal) should not have been deducted. As a result of the tax audit reports, we received formal assessment notices related to the alleged unlawful deduction of certain interest expenses for taxes, penalties and interest amounting to approximately €38 million for the tax periods 2006-2009. The tax audit was subsequently extended to the tax periods 2010-2012 and, in March 2016, we received an additional formal assessment notice related to alleged unlawful deductions for interest expenses of approximately €6.5 million for the year 2010. Sisal has challenged the assessment notices for the period 2006-2009 and is considering settlement discussions with regards to the assessment notice for the year 2010 but intends to appeal against the assessment notice if the dispute is not settled on favorable terms. If the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of our loans, indebtedness or transactions, including pursuant to the mentioned audits, it could result in the disallowance of deductions, limit our ability to deduct interest expenses, the imposition of withholding taxes,

the application of significant penalties and accrued interest on loans or internal deemed transfers, the application of significant penalties and accrued interest or other consequences that could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. See "*—Risks Related to Our Business—We are currently subject to pending tax investigations and proceedings whose outcomes are not yet assessable, but which may adversely affect our results of operations and financial condition*" and "*Business—Legal Proceedings—Tax Matters*".

Italian tax legislation may restrict the deductibility of all or a portion of the interest expense on our indebtedness, including interest expense in respect of the Notes.

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986, as amended and restated) allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of a company (*i.e., risultato operativo lordo della gestione caratteristica*) ("**ROL**") as recorded in such company's profit and loss account. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of a tax group, interest expense not deducted by an entity in the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group.

This 30% threshold applies to the Italian subsidiaries of Sisal Group S.p.A. With reference to the Issuer and Sisal Group S.p.A., the special rule provided for banks and financial entities by art. 96 (*5-bis*) applies, with the consequent non-deductibility of a fixed percentage on interest expenses equal to 4% until December 31, 2016 (for the purposes of the mentioned 4% non-deductibility rule, Sisal Group S.p.A. qualifies as a financial entity as it is a "payment entity", Italian IMEL). From January 1, 2017 interest will be fully deductible for financial entities. Should the Issuer, Sisal Group S.p.A. or, following the Post-Completion Merger, MergerCo, lose its "payment entity" status, it would also be subject to the 30% threshold.

The Post-Completion Merger does not interrupt the fiscal unity between Sisal Group S.p.A. and its controlled subsidiaries. If for any reason the Post-Completion Merger does not occur, a new tax group would be available starting from the first fiscal year after the Acquisition. The losses deriving from interest deduction accrued at the level of the Issuer (net of any interest income on any intercompany loan granted by the Issuer) prior to the Post-Completion Merger are subject to specific limitations. In addition, such losses, being incurred prior to the fiscal unity, may not be off-set against the taxable income of the other companies within the fiscal unity. As a result, any delay in the completion of the Post-Completion Merger or the non-occurrence of the Post-Completion Merger could impact our ability to deduct interest expenses.

In addition, the Italian tax authorities have in certain instances challenged merger leverage buyout transactions with respect to the deductibility of interest expenses arising in connection with acquisition financing. On March 30, 2016, the Italian Revenue Agency issued Circular Letter n. 6/E clarifying, as a common principle, that interest on the acquisition bank loan in LBO transactions are generally deductible for IRES purposes, subject only to ordinary limitations stated in art. 96 Presidential Decree n.917 of December 22, 1986. In particular, the Italian Revenue Agency confirmed that LBO transactions are grounded on sound economic reasons as the aim to acquire control over the target company and their structure (including the debt push down) is usually requested by third party lenders. As a result of such guidance, LBO transactions are generally not considered suspect for tax purposes absent specific circumstances in which the tax authorities contend that the structuring of any such transaction was designed to obtain unlawful tax advantages in violation of the law or established legal principles (e.g., re-leveraged transactions without a change of control) (See "*—Risks Related to Our Business—We are currently subject to pending tax investigations and proceedings whose outcomes are not yet assessable, but which may adversely affect our results of operations and financial condition*").

Despite this, the Circular Letter also indicates that shareholder loans may be re-characterized as capital contributions. Such re-characterization has to be evaluated on a case-by-case basis, based on the economic circumstances of the borrowing company and under the substance-over-form approach as provided by OECD Transfer Pricing Guidelines. The re-characterization provides that the: (i) interest incurred on any former or future shareholder loans are not deductible and (ii) interest payments made in respect of said shareholder loans may be subject to withholding tax on dividends. The Circular Letter also examines the beneficial ownership requirement in the context of indirect lending through assumption of external debt by a non-resident vehicle (associated with the investor carrying out the acquisition) that on-lends the financing to the acquisition vehicle. The Circular Letter explains that such structures may be challenged with the consequent application of the tax regime applicable to direct financing by a non-resident non-associated entity to a resident company in all cases where the intermediate vehicle cannot be characterized, on a case by case basis, as beneficial owner or can be regarded as a conduit entity. In this regard, specific focus is given by the Circular Letter to the presence of back to back arrangements.

Any future changes in Italian tax laws or in their interpretation, including any future limitation on the use of the ROL of the subsidiaries of Sisal Group S.p.A. or the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or the application by Italian tax authorities of certain existing interpretations of Italian tax law (including as referred to in the above mentioned Circular Letter) may result in our inability to fully deduct our interest expense and application of withholding taxes, which may have an adverse impact on our financial condition. Furthermore, if the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of the transactions performed or of our previous or existing indebtedness, including the Notes or the use of proceeds from the Offering, including on the basis of anti-avoidance or anti-abusive criteria, we may be unable to fully deduct our interest expenses or be subject to (i) significant penalties and accrued interest, (ii) the imposition of withholding taxes or (iii) other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Risks Related to the Notes, the Guarantees and the Notes Collateral

The Issuer will be dependent on payments from its subsidiaries in order to be able to make payments on the Notes.

Prior to the Completion Date, the Issuer will not have any subsidiaries. Following the Acquisition and prior to the Post-Completion Merger, the Issuer will be a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in Sisal Group S.p.A. and its receivables under the Sisal Group Proceeds Loan. As a result, the Issuer will be dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans, or otherwise to make payments on the Notes. With respect to payments from time to time owed to us under the New Proceeds Loans, see "*—Risks Related to the Notes, the Guarantees and the Notes Collateral—Our right to receive payments under the New Proceeds Loans may be subordinated by law to the obligations of other creditors"*. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable the Issuer to meet its payment obligations under the Notes. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under Italian corporate law which require a company to retain at least 5% of its annual unconsolidated net income until such reserve reaches at least 20% of the value of the company's share capital, and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

Although the Indenture and the New Revolving Credit Facility will limit the ability of our restricted subsidiaries to incur contractual restrictions on their ability to pay dividends or make other payments to us, there are significant qualifications and exceptions to these limitations. We cannot assure you that the arrangements with our subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of our subsidiaries and our results of operations and cash flow generally will provide us with sufficient dividends, distributions or loans to fund payments on the Notes. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required principal and interest payments on the Notes, and we do not expect to have any other sources of funds that would allow us to make payments to holders of the Notes.

The Notes will be structurally subordinated to all indebtedness of the Issuer's existing and future subsidiaries that do not guarantee the Notes.

The Issuer's subsidiaries that do not guarantee the Notes will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise. As of March 31, 2016, after giving pro forma effect to the Transactions, the consolidated subsidiaries of the Issuer that are not Guarantors would have had €1.5 million of financial indebtedness outstanding and nil other liabilities outstanding. Our non-Guarantor subsidiaries represented 0.3%, 1.4% and 1.5% of our consolidated total revenues and income, EBITDA and total assets, respectively, for the year ended December 31, 2015.

The merger of the Issuer and Sisal Group S.p.A. and the assumption of obligations under the Notes by MergerCo may be treated as a taxable exchange for U.S. federal income tax purposes.

If the conditions for the Post-Completion Merger are met, the Issuer and Sisal Group S.p.A. will merge and the resulting entity, MergerCo, will assume the obligations of the Issuer under the Notes. Although the issue is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the IRS could take a contrary view, and seek to treat the Post-Completion Merger and the assumption of the obligations under the Notes by MergerCo as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*") would recognize gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of one or more series of the Notes at the time of the Post-Completion Merger is less than the principal amount of such series of Notes (by more than a statutorily defined de

minimis amount), such series of Notes may be treated as issued with original issue discount. Please see "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*."

The Issuer and the Guarantors are and, following the Post-Completion Merger, MergerCo will be, incorporated in Italy, and Italian insolvency laws may not be as favorable to holders of the Notes as insolvency laws in other jurisdictions with which they may be familiar.

The Issuer and the Guarantors are organized and are likely to have their respective center of main interests under the laws of Italy. The insolvency laws of Italy may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you may be familiar, including in respect of creditors' reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that the Issuer or any future subsidiary of the Issuer experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights against the Notes Collateral in Italy and limit any amounts that you may receive. For an overview of certain insolvency laws and enforceability issues as they relate to the Issuer and the Guarantors, see "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all.

We intend to complete the Post-Completion Merger within six to eight months of the Completion Date. The Post-Completion Merger will be undertaken pursuant to the provisions of Article 2501-*bis* c.c. In order to complete the Post-Completion Merger, there are various steps that we must take including the preparation of a merger plan, a report by the directors of the companies involved in the Post-Completion Merger (*relazione dell'organo amministrativo*) and a report by an independent expert appointed by the court, assessing the sustainability of debt at the level of the company resulting from the Post-Completion Merger. Our estimation of the time frame required to complete the Post-Completion Merger is based upon market practice for leveraged buyouts in Italy typically involving acquisition vehicles which, in our case, will be an Italian joint stock company (*società per azioni*). As a result, the independent expert is required to be appointed by the court, which creates uncertainty as to the time frame for the Post-Completion Merger. In addition, there can be no assurance that the independent expert will release its report or that the other steps required for the Post-Completion Merger will be taken in a timely manner, or at all. While the Indenture requires us to use reasonable best efforts to implement the Post-Completion Merger, there is no requirement that the Post-Completion Merger be consummated, including within any specific period of time following the Completion Date, and any failure to complete the post-Completion Merger will not constitute an event of default under the Indenture.

Moreover, subject to certain exceptions, the Post-Completion Merger can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolution approving the Post-Completion Merger, during which the creditors of the companies involved in the Post-Completion Merger are entitled to challenge the Post-Completion Merger. See "*Description of the Notes—Security*".

As a result of the consummation of the Post-Completion Merger, the obligations of Schumann S.p.A. as the Issuer of the Notes will be assumed by MergerCo pursuant to the Indenture, the Notes will no longer be guaranteed by Sisal Group S.p.A., certain of the security under the Notes Completion Date Collateral will be fully and unconditionally released and the Notes will be secured by the security interests in the Notes Post-Merger Collateral. In the event we are unable to consummate the Post-Completion Merger, the Notes Post-Merger Collateral will not be granted for the benefit of the holders of the Notes and Schumann S.p.A. will remain as the Issuer.

Creditors under the New Revolving Credit Facility, certain hedging liabilities and certain debt that we may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes.

In addition to securing the Notes, the assets that comprise the Notes Collateral will also secure on a first-ranking basis our obligations under the New Revolving Credit Facility and certain hedging obligations. The Indenture and the New Revolving Credit Facility will also permit the Notes Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. Pursuant to the New Intercreditor Agreement, the liabilities under the New Revolving Credit Facility and certain hedging obligations will have priority over any amounts received from the sale of the Notes Collateral pursuant to an enforcement action taken with respect to such Notes Collateral. In the event of a foreclosure of the Notes Collateral, you may not be able to recover on such Notes Collateral if the then outstanding claims under the New Revolving Credit Facility and such amount in respect of such hedging obligations are greater than the proceeds realized. In addition, any proceeds from an enforcement sale of the Notes Collateral by any creditor will, after all obligations under the New Revolving Credit Facility and such amount in respect

of such hedging obligations have been discharged from such recoveries, be applied pro rata in repayment of the Notes and any other obligations secured by such Notes Collateral on a pari passu basis, which obligations may be significant. As a result, holders of Notes may receive less, ratably, then holders of other secured indebtedness of the Group.

The proceeds from the enforcement of the Notes Collateral may not be sufficient to satisfy the obligations under the Notes.

On or following the Completion Date within the time periods specified herein and prior to the Post-Completion Merger, the Notes will be secured on a first-ranking basis by the Notes Completion Date Collateral. Following the Post-Completion Merger, the Notes will be secured on a first-ranking basis by the Notes Post-Merger Collateral. The Notes Collateral comprises, in part, (i) security interests in the receivables of the Issuer under the Sisal Group Proceeds Loan, (ii) security interests in the receivables of Sisal Group S.p.A. under the Sisal Proceeds Loan, and (iii) security interests in the receivables of Sisal under the Sisal Entertainment Proceeds Loan, which will be limited to the highest outstanding principal amount of the relevant New Proceeds Loan, which is currently expected to be approximately €538.0 million, €127.0 million and €93.0 million, respectively, but that are each subject to change based on the availability of cash on the balance sheets at Sisal Group S.p.A., Sisal and Sisal Entertainment on the Completion Date. With respect to certain Italian law-specific risks associated with the New Proceeds Loans, see "*—Our right to receive payments under the New Proceeds Loans may be subordinated by law to the obligations of other creditors*". The Notes Collateral will also secure on a first-ranking basis our obligations under the New Revolving Credit Facility and certain hedge agreements. The Notes Collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the New Revolving Credit Facility and the New Intercreditor Agreement. The rights of holders of the Notes to the Notes Collateral may be diluted by any increase in the first-priority debt secured by the Notes Collateral.

Not all our assets will secure, directly or indirectly, the Notes. The value of the Notes Collateral and the amount to be received upon an enforcement of such Notes Collateral will depend upon many factors, including, among others, the ability to sell the Notes Collateral in an orderly sale, whether or not the business is sold as a going concern, the condition of the Italian economy and the availability of buyers. The book value of the Notes Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Notes Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Notes Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, (i) the pledges, shares and ownership interests of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding because all of the obligations of the entity must first be satisfied, leaving little or no remaining assets in the entity and (ii) the total amount secured under the Notes Collateral is not linked to the market value of the underlying assets.

It may be difficult to realize the value of the Notes Collateral, and an enforcement action may result in the termination of concessions.

The Notes Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the New Revolving Credit Facility Agreement and the New Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Notes Collateral, as well as the ability of the Security Agent to realize or foreclose on such Notes Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions (including the laws of Italy).

If the proceeds of any sale of the Notes Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors in the Notes (to the extent not repaid from the proceeds of the sale of the Notes Collateral) would have only an unsecured claim against the Issuer's remaining assets. Each of these factors or any challenge to the validity of the Notes Collateral or any intercreditor arrangement governing our creditors' rights could reduce the proceeds realized upon enforcement of the Notes Collateral. In addition, the Notes Collateral may not be liquid, and its value to other parties may be less than its value to us.

The Notes Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. In addition, the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Notes Collateral may significantly decrease.

Furthermore, due consideration should be given by investors to the circumstance that enforcement procedures and timing for obtaining judicial decisions in Italy may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which investors may be familiar.

In addition, our business requires a variety of concessions and licenses. The continued operation of our Group and, in particular, subsequent to the Post-Completion Merger, of MergerCo, whose shares will be pledged as part of the Notes Post-Merger Collateral, depend on the maintenance of such concessions and licenses. Under some of our concessions and

licenses, public authorities impose restrictions on the transfers of the ownership of the concessionaire or license holder, including a change of control clause, which prohibits the transfer of the ownership of the concessionaire or license holder without the prior approval of the authority. In the event of an enforcement action under the terms of the Notes which resulted in the transfer of ownership of the Issuer (or, subsequent to the Post-Completion Merger, MergerCo) or its subsidiaries, or a change in the shareholding of the Group for other reasons, the authorities may attempt to cancel our concessions or licenses. In addition, the uncertainty concerning the transferability of such concessions or licenses themselves could significantly reduce the value placed on the concessions and licenses by third parties and ultimately reduce the amount recovered in the event of an enforcement action. The applicable governmental authorities may not consent to the transfer of any of such concessions or licenses. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Notes Collateral may be significantly decreased.

The Guarantees and the Notes Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. The obligations of the Guarantors, the enforcement of each of their Guarantees and the obligations of the grantors of security and the ability of the Security Agent to enforce on the Notes Collateral will be limited to the maximum amount that can be guaranteed by such Guarantor or provided by the grantor of security under the applicable laws of Italy, including a limitation to the extent that the pledge of security is not in the relevant Guarantor's or pledgor's corporate interests. As a result of the applicable limitations under Italian law with respect to financial assistance and corporate benefit, each Guarantee and security interest granted by Sisal Group S.p.A., Sisal and Sisal Entertainment will be limited to the highest outstanding principal amount of the relevant New Proceeds Loan advanced or granted (being an amount equal to approximately €538.0 million, €127.0 million and €93.0 million, respectively, but that are each subject to change based on the availability of cash on the balance sheets at Sisal Group S.p.A., Sisal and Sisal Entertainment on the Completion Date). See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*". Accordingly, enforcement of any such Guarantee or Notes Collateral against the relevant Guarantor or pledgor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Guarantees or pledge of security designed to ensure compliance with statutory requirements applicable to the relevant Guarantors or pledgors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization, capital maintenance or similar laws and regulation or defenses affecting the rights of creditors generally. As a result, the liability of a Guarantor under its Guarantee or of a pledgor of security could be materially reduced or eliminated, depending on the amounts of its other obligations and the law applicable to it.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held that such determination must be proportionate to the relevant Guarantor's assets. If such determination is deemed disproportionate to the assets of each of the Guarantors, there is a risk that the guarantee could be declared void. In light of the above, pursuant to Article 1938 of the Italian Civil Code, the maximum amount that each of the Guarantors may be required to pay in respect of its obligations as Guarantor under the Indenture and the New Revolving Credit Facility shall not exceed an amount equal to 120% of the aggregate principal amount of the Notes and the total commitments under the New Revolving Credit Facility.

Following the Completion Date, the Notes and the New Revolving Credit Facility will share the same security and guarantor package. However, this may not always continue to be the case and circumstances may arise in the future in which lenders under the New Revolving Credit Facility may be granted the benefit of additional security or guarantees which are not otherwise permitted to be granted in favor of holders of the Notes due to the application of Italian financial assistance and corporate benefit rules. Accordingly, in such circumstances you would have no direct claim for payment against any such additional guarantor nor any rights as a secured party with respect to any such additional collateral.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of that Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the relevant Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Guarantee was given;
- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

It is possible that a Guarantor or a pledgor of security, or a creditor of a Guarantor or a pledgor of security, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor or a pledgor of security, may contest the validity and enforceability of the Guarantor's Guarantee or pledgor's pledge of security on any of the aforementioned grounds and that the applicable court may determine that the Guarantee or pledge should be limited or voided. To the extent such limitations on the Guarantee or security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor or pledgor, including trade payables of such Guarantor or pledgor to the extent of such limitations. Future pledges or guarantees may be subject to similar limitations.

Additionally, the grant of Notes Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified "clawback" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claims. See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by Italian law.

The ability of the Security Agent to enforce on the Notes Collateral may be limited by mandatory provisions of Italian law and may be subject to certain statutory limitations and defenses or to limitations contained in the terms of the security documents designed to ensure compliance with applicable statutory requirements.

The security interests in the Notes Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the Holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Code. The Indenture will provide (along with the New Intercreditor Agreement) that to the extent permitted by the applicable laws, only the Security Agent has the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the relevant Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Notes Collateral securing the relevant Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Notes Collateral and in accordance with the New Revolving Credit Facility and the New Intercreditor Agreement. See "*Description of the Notes—Security*".

The Notes Collateral will be created and perfected in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favour of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Notes Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries. Moreover, under Italian law, claims of certain categories of creditors ("creditori privilegiati") are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors.

See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Considerations*".

Our right to receive payments under the New Proceeds Loans may be subordinated by law to the obligations of other creditors.

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof.

In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, such loan will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are few court precedents interpreting the provisions summarized above and limited guidance has been provided so far by the courts on the specific features and extent of the undercapitalization requirement. Some of such precedents have, however, held that Article 2467 also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the New Proceeds Loans. Furthermore, following the Completion Date, Sisal Group S.p.A., Sisal and Sisal Entertainment will be subject to direction and coordination exercised by the Issuer.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the relationship among the Issuer, Sisal Group S.p.A., Sisal and Sisal Entertainment under the relevant New Proceeds Loan. Accordingly, an Italian court may conclude that Sisal Group S.p.A., Sisal and Sisal Entertainment's obligations under the New Proceeds Loans are subordinated to all their obligations to other creditors. Should any of Sisal Group S.p.A., Sisal or Sisal Entertainment's obligations under the relevant New Proceeds Loan be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, prior to the Post-Completion Merger, the Issuer, Sisal Group S.p.A. and Sisal may not be able to recover any amounts under its New Proceeds Loan to the relevant subsidiary, and, following the Post-Completion Merger, MergerCo and Sisal may not be able to recover any amounts under the Sisal Proceeds Loan or the Sisal Entertainment Proceeds Loan, respectively, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes. Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Notes Collateral created over such intercompany loans or notes or any guarantees granted by such Italian subsidiaries may be impaired or restricted.

The holders of the Notes may not control certain decisions regarding the Notes Collateral.

Pursuant to the New Intercreditor Agreement, a common security agent shall serve as the Security Agent for the secured parties under the New Revolving Credit Facility, the Notes and the hedging arrangements, respectively, with regard to the Notes Collateral. The New Intercreditor Agreement provides that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Notes Collateral and take instructions from the relevant secured creditors in respect of the Collateral only at the direction of the "instructing group".

Generally, the representatives of the creditors sharing in the Notes Collateral are required to first consult in good faith with each other (in each case, including the Trustee, the agent on behalf of the lenders under the New Revolving Credit Facility and certain counterparties to hedging agreements entered into by the Group) and the Security Agent, for a period of 15 days (or such shorter period as may be agreed) with a view to coordinating the instructions to be given by an instructing group and agreeing an enforcement strategy. Upon conclusion of this "consultation period", if there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors which are secured by the Notes Collateral and who can constitute an instructing group, and provided that the "security enforcement principles" set forth in the New Intercreditor Agreement have been complied with, then the "majority senior secured creditors" (generally, creditors representing the simple majority of the outstanding principal amount under the Notes and any *pari passu* secured indebtedness) shall constitute an instructing group and shall have the right to instruct the Security Agent as to the enforcement of the Notes Collateral. If, however, upon conclusion of the consultation period and prior to the date on which the obligations to the lenders under the New Revolving Credit Facility are discharged in full, either (i) the lenders under the New Revolving Credit Facility have not been repaid in full within six months of the end of the consultation period, (ii) the Security Agent has not commenced any enforcement action within three months of the end of the consultation period or (iii) an insolvency event has occurred in respect of certain members of the Group, then the Security Agent shall, provided that the "security enforcement principles" set forth in the New Intercreditor Agreement have been complied with, instead follow the instructions that are subsequently given by the "majority super senior creditors" (generally, creditors representing 66 2/3% of the aggregate of all unpaid and undrawn commitments under the New Revolving Credit Facility and the termination value or assumed termination value of certain hedging liabilities). Notwithstanding the foregoing, no such consultation period shall be required if either (i) any of the Notes Collateral becomes enforceable because of an insolvency event in respect of certain members of the Group or (ii) the majority super senior creditors and/or the majority senior secured creditors determine in good faith that entering into consultation could reasonably be expected to reduce the amount likely to be realized upon enforcement to a level such that the obligations to the super senior creditors would not be discharged in full, in which case, any instructions will be limited to those

necessary to protect or preserve the interests of the secured creditors on behalf of which the relevant instructing group is acting and the Security Agent shall act in accordance with the instructions first received.

The foregoing security enforcement arrangements could be disadvantageous to the holders of the Notes in a number of respects. Disputes may occur between the holders of the Notes and creditors under our New Revolving Credit Facility, the counterparties to the relevant hedging arrangements or holders of any permitted additional indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Notes Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the instructing group, which may result in enforcement action in respect of the relevant collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such noteholders. The New Intercreditor Agreement also provides that the enforcement sale of any Notes Collateral will be subject to, as a condition to the release of any claims of any other indebtedness secured by such collateral under the New Intercreditor Agreement, certain protections intended to maximize the case recovery from an enforcement sale. The creditors under the New Revolving Credit Facility, the counterparties to certain hedging arrangements or the holders of any permitted additional indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant security documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

Other creditors not party to the New Intercreditor Agreement could commence enforcement action against the Issuer or its subsidiaries during the consultation period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Notes Collateral could otherwise be impaired or reduced in value. In addition, if we incur substantial additional indebtedness which may be secured by security interests in the Notes Collateral, the holders of the Notes may not comprise the requisite majority of the senior secured creditors for the purposes of instructing the Security Agent. See "*Description of Certain Financing Arrangements—New Intercreditor Agreement*".

The Issuer (and, following the Post-Completion Merger, MergerCo), Sisal Group S.p.A. and Sisal will have control over certain of the Notes Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.

The security documents allow the Issuer (and, following the Post-Completion Merger, MergerCo), Sisal Group S.p.A. and Sisal to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, certain of the Notes Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer (and, following the Post-Completion Merger, MergerCo), Sisal Group S.p.A. and Sisal may, among other things, subject to the terms of the security documents, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Notes Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of the Notes Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Notes Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Notes Collateral in the case of an enforcement of the liens on the Notes Collateral. To the extent these activities are allowed with regard to certain security interests, under Italian law such security interests could be considered to be not validly perfected.

There are circumstances other than repayment or discharge of the Notes under which the Notes Collateral will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Notes Collateral will be released automatically, including:

- as described under "*Description of the Notes—Amendments and Waivers*";
- in connection with any sale or other disposition of property or assets constituting Notes Collateral, if the sale or other disposition does not violate the "Limitation on Sales of Assets and Subsidiary Stock" covenant or other applicable provisions under the Indenture;
- only with respect to the security interest in respect of the shares of the Issuer, to facilitate an initial public offering of the Issuer;
- upon payment in full of principal, interest and all other obligations of the Notes or defeasance or discharge of the Notes, as provided under "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*"; and
- in accordance with the New Intercreditor Agreement.

See "*Description of the Notes—Security—Release of Liens*". Unless consented to by the holders of the Notes (and subject to certain exceptions), the New Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to release the security interests in the Notes Collateral unless, among other things, the relevant sale or disposal is made:

- for consideration of which all or substantially all of which is in the form of cash; and

- pursuant to a public auction, or if a fairness opinion has been obtained from an internationally recognized investment bank selected by the Security Agent.

The New Intercreditor Agreement also provides that the Notes Collateral may be released and retaken in connection with the refinancing of certain indebtedness, including the Notes. In Italy, such a release and retaking of collateral may give rise to the start of a new hardening period in respect of the Notes Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of the Notes Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Notes Collateral and thus reduce your recovery under the Notes.

See "*Description of Certain Financing Arrangements—New Intercreditor Agreement*" and "*Description of the Notes*".

Your rights in the Notes Collateral may be adversely affected by the failure to perfect security interests in the Notes Collateral.

Under Italian law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Notes Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect the security interest. Such failure may result in the invalidity of the relevant security interest in the Notes Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Notes Collateral.

The Trustee and Security Agent will not monitor, and we may not comply with our obligations to inform the Trustee or the Security Agent of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after-acquired property or rights. Such failure may result in the invalidity of the relevant security interest in the Notes Collateral or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Notes Collateral.

The granting of the security interests in the Notes Collateral may create hardening periods for such security interests in accordance with Italian law.

The granting of new security interests in connection with the issuance of the Notes, including new pledges over the receivables under the New Proceeds Loans, may create hardening periods for such security interests in Italy. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected or recreated. In each instance, if the security interest granted, perfected or recreated were to be enforced before the end of the relevant hardening period applicable in Italy, such security interest may be declared void and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure future indebtedness may restart or reopen hardening periods. The applicable hardening period for each new security may run from the moment such new security is amended, granted or perfected. At each time, if the security interest granted were to be enforced before the end of the respective applicable hardening period, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations*".

The same rights also apply following the Issue Date in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes.

You may face interest rate risks by investing in the Notes, as certain of our borrowings bear, and the Senior Secured Floating Rate Notes will bear, interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

A substantial part of our indebtedness, including borrowings under the New Revolving Credit Facility and the Senior Secured Floating Rate Notes, bears or will bear interest at per annum rates equal to EURIBOR (subject to a 0.0% floor), in each case adjusted periodically, plus a spread. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Although we currently intend to hedge the interest rate with respect to the Senior Secured Floating Rate Notes, we may not be able to obtain such hedges, or replace such hedges, on terms that are acceptable to us, and any such hedge may not be fully effective, which would expose us to interest rate risk.

Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

At final maturity of the Notes, or in the event of acceleration of the Notes following an event of default, the entire outstanding principal amount of the Notes will become due and payable. In addition, upon the occurrence of certain events constituting a change of control, holders of the Notes may in certain circumstances require us to make an offer to purchase the Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the purchase date. See "*Description of the Notes—Change of Control*". We may not have sufficient funds or may be unable to arrange for additional financing to pay these amounts when they become due.

Our failure to repay holders tendering Notes upon the occurrence of a change of control event would result in an event of default under the Notes. If a change of control event were to occur, we cannot assure you that the Issuer and, following the Post-Completion Merger, MergerCo would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the New Revolving Credit Facility Agreement, the New Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our New Revolving Credit Facility, the Notes and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under the New Revolving Credit Facility and other indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when our subsidiaries are prohibited from providing funds to the Issuer and, following the Post-Completion Merger, MergerCo for the purpose of repurchasing the Notes, our subsidiaries may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer and, following the Post-Completion Merger, MergerCo will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer and, following the Post-Completion Merger, MergerCo to offer to purchase the Notes would constitute a default under the Indenture, respectively, which would, in turn, constitute a default under the New Revolving Credit Facility and certain other indebtedness. See "*Description of the Notes—Change of Control*".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, the Post-Completion Merger or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under "*Description of the Notes—Change of Control*", the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes, respectively, in the event of a reorganization, restructuring, the Post-Completion Merger, recapitalization or similar transaction.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all the assets of the Issuer and its restricted subsidiaries taken as whole. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The Issuer may amend the economic terms and conditions of the Notes with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes.

The Indenture contains provisions for calling meetings of the holders of the Notes to consider matters affecting their interests. As set forth in "*Description of the Notes—Meeting of Noteholders*", the majority required to pass an extraordinary resolution at any meeting of noteholders will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution to bind all holders of the Notes, including noteholders who did not attend and vote at the relevant meeting, and noteholders who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes or to change the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact noteholders' rights and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be

challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence being that the majority voting threshold may be reduced from 75% to 50%.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax for which holders may not receive additional amounts.

Neither the Issuer, MergerCo nor any Guarantor will be liable to pay any additional amounts in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy and otherwise in the circumstances as described in "*Description of the Notes—Withholding Taxes*". Investors resident in such countries or investors that are resident in a country allowing for the satisfactory exchange of information with Italy but that do not satisfy the conditions set forth by Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) will only receive the net proceeds of their investment in the Notes. See "*Certain Tax Considerations—Certain Italian Tax Considerations*" and "*Description of the Notes—Withholding Taxes*".

An active trading market may not develop for the Notes, which may limit your ability to sell the Notes.

The Notes will be new securities for which there is currently no existing market. Although we have applied to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot assure you that the Notes will become or will remain listed. In addition, we cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt securities, such as the Notes, has been subject to disruptions that have caused substantial price volatility. If a market for the Notes were to develop, such a market may be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after this Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes by U.S. Holders (as defined in "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*") may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*".

Despite the measures taken by countries in the Eurozone to alleviate credit risk, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone member states. These and other concerns could lead to the reintroduction of individual currencies in one or more member states, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro denominated obligations would be determined by laws in effect at such time. We cannot assure you that the official exchange rate at which the Notes may be redenominated would accurately reflect their value in euro. These potential developments, or market perceptions concerning these developments and related issues, could adversely affect the value of the Notes.

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Notes Collateral.

Under Italian law, in the event that the Issuer or a Guarantor enters into insolvency proceedings, the security interests granted to secure the Notes and the Guarantees could be subject to potential challenges by an insolvency administrator or by other creditors under the rules of avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of

payment (e.g., payment in kind) or security taken after the creation of the secured obligations, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action, (ii) security granted in order to secure a debt due and payable, whereby the creditor must prove his lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action during the suspect period of six months prior to the declaration of the insolvency, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the bankruptcy receiver must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See "*Limitations on Validity and Enforceability of the Guarantees and the Notes Collateral and Certain Insolvency Law Considerations—Fraudulent Transfer Provisions of General Applicability Including During Bankruptcy*" for further information.

Under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective vis-à-vis creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. In addition, under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective vis-à-vis creditors, if made by the bankrupt entity in the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

If challenged successfully, the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, the holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer and its subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States and, following the Post-Completion Merger, MergerCo is expected to be a company organized outside the United States. The directors and executive officers of the Issuer are nonresidents of the United States. Although the Issuer will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers. In addition, as all the assets of the Issuer and its subsidiaries and those of its directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and subsequently those of MergerCo as the resulting entity following the Post-Completion Merger, as applicable, may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Italy. There is, therefore, doubt as to the enforceability of civil liabilities based upon U.S. federal securities laws in an action to enforce a U.S. judgment in Italy. In addition, the enforcement in Italy of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in Italy would have the requisite power or authority to grant remedies sought in an original action brought in Italy on the basis of U.S. federal securities laws violations. See "*Service of Process and Enforcement of Judgments*".

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies are expected to assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency in the future if in its judgment circumstances so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the Securities Act or any state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the

Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the Securities Act, or other exemptions under the Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. Furthermore, we have not registered the Notes under any other country's securities laws and do not have any intention to do so. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*".

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the registered holder of the Notes. After payment to the common depositary, we and the Trustee will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream Banking, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form*".

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

The Notes may not become, or remain, listed on the Official List of the Luxembourg Stock Exchange.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, the Issuer cannot assure you that the Notes will become, or remain listed. If the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the Issuer can no longer maintain such listing or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Luxembourg Stock Exchange; provided, however, that it will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on another "recognized stock exchange", although there can be no assurance that the Issuer will be able to do so.

In addition, although no assurance is made as to the liquidity of the Notes as a result of listing the Notes on the Official List of the Luxembourg Stock Exchange or another recognized stock exchange in accordance with the Indenture, failure to obtain approval for the listing or the delisting of the Notes from the Official List of the Luxembourg Stock Exchange or another recognized stock exchange, as applicable, may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

No assurance can be given that the Notes will be listed or that, once listed, such listing will be maintained or that such listing will satisfy the listing requirement of Italian Legislative Decree No. 239 of April 1, 1996.

No assurance can be given that the Notes will be listed or that, once listed, the listing will be maintained or that such listing will satisfy the listing requirement of Italian Legislative Decree No. 239 of April 1, 1996 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax.

The Italian tax authorities have issued an interpretive circular relating to, among other things, the listing requirement of the aforementioned legislation in order for the Notes to be eligible to benefit from the exemption from withholding tax. According to a stringent interpretation of this circular, the Notes may not be eligible to benefit from such provisions if the listing of the Notes is not effective as of the Issue Date. In the event that the Notes are not listed as of the Issue Date or that such listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax (*imposta sostitutiva*) currently at a rate of 26%, and we would be required to pay additional amounts with respect to such withholding taxes such that beneficial owners receive a net amount that is not less than the amount that they would have received in the absence of such withholding. We cannot assure you that the listing can be achieved by the Issue Date. However, we intend to achieve the required listing of the Notes on the Issue Date by obtaining a listing on the Euro MTF Market of the Luxembourg Stock Exchange The imposition of withholding

taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to noteholders could have a material adverse effect on our financial condition and results of operations.

Risks Related to the Transactions

The Acquisition is subject to significant uncertainties and risks

On May 27, 2016, Schumann Holdings S.à r.l., an entity indirectly owned by the CVC Funds, entered into the Acquisition Agreement with the Seller pursuant to which it agreed to acquire, directly or indirectly, all the issued and outstanding share capital of Sisal Group S.p.A. and, on June 13, 2016, assigned all its rights and delegated all its obligations under the Acquisition Agreement to the Issuer. The closing of the Acquisition is subject to clearance by ADM, the Bank of Italy and the competition authority in Italy. We will not consummate the Acquisition until such clearances are received, which may extend past the Escrow Longstop Date. Any of the mentioned authorities may prevent the Acquisition from taking place. Alternatively, any of the authorities may permit the Acquisition but demand that we implement certain remedies. Accordingly, we may not be permitted to undertake the Acquisition in a timely fashion, without remedies, or at all. Any such remedy may make the Acquisition less attractive.

Completion of the Acquisition promptly following the release of the escrowed funds is one of the conditions to releasing the proceeds of the Offering from escrow. If the Acquisition is not consummated on or prior to the Escrow Longstop Date for any reason and, as a result, the proceeds from the sale of the Notes to be held in escrow are not released, the Issuer will be required to redeem the Notes pursuant to the terms of the special mandatory redemption provided under the Indenture, and holders of the Notes may not obtain the investment return they expect on the Notes. The Issuer may also undertake a special mandatory redemption at any time if, in its reasonable judgment, the Acquisition will not be consummated by the Escrow Longstop Date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*".

Following the Completion Date, we intend to merge the Issuer and Sisal Group S.p.A. Following the Post-Completion Merger, the Notes will be guaranteed by Sisal and Sisal Entertainment and secured on a first-ranking basis by a pledge over (i) all the issued capital stock of MergerCo; (ii) 99.81% of the issued capital stock of Sisal and all the issued capital stock of Sisal Entertainment; (iii) receivables arising under the Sisal Proceeds Loan; and (iv) receivables arising under the Sisal Entertainment Proceeds Loan. We expect to complete the Post-Completion Merger within six to eight months following the Completion Date. We cannot assure you that we will be able to complete the Post-Completion Merger in such time frame or at all. If we are unable to complete the Post-Completion Merger, Schumann S.p.A. will continue to be the Issuer. See also "*—Risks Related to the Notes, the Guarantees and the Notes Collateral—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all*".

The Issuer does not currently control Sisal Group S.p.A. and its subsidiaries and will not control Sisal Group S.p.A. and its subsidiaries until completion of the Acquisition.

Sisal Group S.p.A. and its subsidiaries are currently controlled by the Seller. The Issuer will not obtain control of Sisal Group S.p.A. and its subsidiaries until completion of the Acquisition. The Seller or members of management may not operate the business of the Sisal Group during the interim period in the same way that we would. The information contained in this offering memorandum has been derived from industry publications and from surveys or studies conducted by third-party sources and, in the case of historical information relating to Sisal Group S.p.A. and its subsidiaries, it has been provided to us by the Seller as well as members of management of the Sisal Group, and we have relied on such information supplied to us in its preparation. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Completion Date, neither Sisal Group S.p.A. nor any of its subsidiaries will be subject to the covenants described in "Description of the Notes" to be included in the Indenture. As such, we cannot assure you that, prior to such date, Sisal Group S.p.A. or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had such covenants been applicable.

If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem its Notes, which means that you may not obtain the return you expect on the Notes.

The gross proceeds from the Offering will be held in separate escrow accounts pending the satisfaction of certain conditions, some of which are outside of our control. If the Acquisition does not occur on or prior to the Escrow Longstop Date or if certain other events that trigger escrow termination occur, the Notes will be subject to a special mandatory redemption as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes. The escrow funds will be initially limited to the gross proceeds from the Offering and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the date of special mandatory redemption.

Under the Shortfall Agreement to be entered into on or about the Issue Date, the CVC Funds will agree with the Issuer to contribute to each escrow account an amount necessary to, among other things, fund the accrued and unpaid interest accrued on the Notes and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. In the event such agreements are not honored, the Issuer will not have sufficient funds to make these payments.

Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition, or the terms of the Acquisition or the financing thereof, between the closing of the Offering and the Completion Date, will have no effect on your rights as a purchaser of the Notes.

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. However, the Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Acquisition Agreement may make the Acquisition less attractive. Any amendment made to the Acquisition Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return they expect to receive on the Notes.

The interest of our principal shareholders may conflict with the interests of the holders of the Notes.

After the Completion Date, the CVC Funds will own 100% of Sisal Group S.p.A. See "*Principal Shareholders*". As a result, the CVC Funds will have, directly or indirectly, the power to affect, among other things, our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholder who has the power to effect compliance with such covenants. For example, the CVC Funds could vote to cause our Group to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture and the New Revolving Credit Facility so permit. In certain circumstances, the interests of our ultimate shareholders could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. The incurrence of additional indebtedness would increase the Group's debt service obligations and the sale of certain assets could reduce the Group's ability to generate revenue, each of which could adversely affect holders of the Notes.

The CVC Funds are in the business of making investments in companies and may have an interest in pursuing acquisitions, divestitures, financing or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as holders of the Notes. In addition, the CVC Funds may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us.

THE TRANSACTIONS

The Acquisition

On May 27, 2016, Schumann Holdings S.à r.l., an entity indirectly owned by the CVC Funds, entered into an agreement relating to the sale and purchase of Sisal Group S.p.A. to acquire, directly or indirectly, all of the issued and outstanding shares of Sisal Group S.p.A. from the seller, Gaming Invest S.à r.l. (the "**Acquisition Agreement**"). On June 13, 2016, Schumann Holdings S.à r.l. assigned the Acquisition Agreement and assigned all its rights and delegated all its obligations under the Acquisition Agreement to the Issuer.

The consummation of the Acquisition is subject to satisfaction of the following conditions precedent: (i) the regulatory approval of the Acquisition by the European Union Commission or, in case of referral under Article 9 of the Council Regulation (EC) 139/2004, the Italian Antitrust Authority; (ii) the regulatory approval of the Acquisition by the Bank of Italy, and (iii) the regulatory approval of the Acquisition by the *Agenzia delle Dogane e dei Monopoli*. We have submitted our draft notification to the European Commission and expect to submit our official notification by the end of July 2016. We submitted our applications to the ADM and the Bank of Italy on June 16 and June 27, 2016, respectively. If the regulatory approvals by the relevant authorities are not received by November 23, 2016, unless the parties mutually agree to extend the deadline, the Acquisition Agreement will terminate. See "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to significant uncertainties and risks*".

The Acquisition Agreement contains customary warranties and indemnities, including one related to certain tax liabilities, given by the Seller as to capacity, title and certain disclosure matters as well as customary covenants given by the Seller regarding, among other things, the conduct of the business and the affairs of the Target Group pending closing of the Acquisition. The Seller's liability for any breach of a warranty is subject to certain thresholds and limitations. The purchase price includes a feature whereby we are required to pay additional consideration for every month that elapses between signing of the Acquisition Agreement and the Completion Date, to compensate for additional cash generation in the business. As a result, the ultimate purchase price will be dependent on the timing of the Completion Date.

The Issuer is a wholly owned subsidiary of Schumann Investments S.A., which is a wholly owned subsidiary of Schumann Holdings S.à r.l. The Issuer, Schumann Investments S.A. and Schumann Holdings S.à r.l. were formed to undertake the Transactions.

The Refinancing

A portion of the cash proceeds from the Financing (as described in "*—The Financing"*) will be used to repay a portion of the Sisal Group's existing external debt in the amount of €687.3 million expected to be outstanding as of the estimated Completion Date (€693.6 million as of March 31, 2016), comprising:

- €275.0 million (€275.0 million as of March 31, 2016) owed by Sisal Group S.p.A. under the 2013 Senior Secured Notes, to be repaid with the funds available under Tranche B (as defined under "*Use of Proceeds*") under the Notes;
- €295.5 million (€299.7 million as of March 31, 2016) owed by Sisal Group S.p.A. under the Term Loan A1, Term Loan B1, Term Loan C1 and revolving facility under the Existing Senior Secured Credit Facilities Agreement, to be repaid with the funds available under Tranche B under the Notes; and
- €116.8 million (€118.9 million as of March 31, 2016) owed by Sisal under the Term Loan A2, Term Loan B2, Term Loan C2 under the Existing Senior Secured Credit Facilities Agreement, to be repaid with the funds available under Tranche C (as defined under "*Use of Proceeds*") under the Notes.

We refer to this debt to be repaid, collectively, as the "**Refinanced Debt**" and the repayment of the Refinanced Debt as the "**Refinancing**". If the amounts of debt outstanding under our Refinanced Debt on the Completion Date exceed the amounts set forth above subsequent to March 31, 2016, we intend to repay all such debt with cash on balance sheet or a portion of the proceeds of the Offering. The collateral securing the Refinanced Debt will be released concurrently with the Refinancing.

The Financing

The purchase price for the Acquisition is expected to be €970 million (prior to adjustments for unfunded liabilities on the Completion Date, if any) assuming the Completion Date occurs on or about September 30, 2016. We expect to finance the Acquisition as follows:

- an equity contribution by CVC Funds to the Issuer of €302.0 million (the "**Equity Contribution**"); and
- the offering of the Notes in an aggregate principal amount of €725.0 million by the Issuer.

The proceeds from the financing described above, together with cash on the balance sheet of €157.9 million expected to be freely available on the Completion Date, assuming the Completion Date occurs on or about September 30, 2016, will be used to:

- fund the consideration payable for all of the issued and outstanding shares of Sisal Group S.p.A. by using the Tranche A (as defined under "*Use of Proceeds*") under the Notes;
- repay the following amounts outstanding as of the estimated Completion Date: (i) €275.0 million owed by Sisal Group S.p.A. under the 2013 Senior Secured Notes by using the Tranche B under the Notes and (ii) €412.3 million owed by certain Sisal Group's companies under the Existing Senior Secured Credit Facilities Agreement (in particular, repay (a) €295.5 million owed by Sisal Group S.p.A. under the Term Loan A1, Term Loan B1, Term Loan C1 and revolving facility under the Existing Senior Secured Credit Facilities Agreement by using the Tranche B under the Notes, and (b) €116.8 million owed by Sisal under the Term Loan A2, Term Loan B2 and Term Loan C2 under the Existing Senior Secured Credit Facilities Agreement) by using the Tranche C under the Notes;
- fund additional cash on the balance sheet for general corporate purposes; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the offering of the Notes by using the Tranche A under the Notes.

In the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due, among other things, to a negative movement in working capital, we may draw down amounts under the New Revolving Credit Facility on the Completion Date to fund any shortfall to complete the Transactions.

We refer to the Acquisition, the Financing and the Refinancing together as the "*Transactions*". See "*Use of Proceeds*", "*Capitalization*" and "*Description of the Notes*".

Escrow Accounts

Pending the consummation of the Acquisition, an amount equal to the gross proceeds of the Offering will be deposited into two segregated escrow accounts in the name of the Issuer but controlled by, and pledged in favor of, the Trustee on behalf of the holders of the Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes, respectively. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions, including the completion of the Acquisition. If the Acquisition is not consummated on or prior to January 31, 2017 (the "**Escrow Longstop Date**"), or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the special mandatory redemption date, and additional amounts, if any. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*".

As used in this offering memorandum, the term "Transactions" means collectively the Acquisition, the Refinancing and the Financing, including this Offering.

USE OF PROCEEDS

The gross proceeds from the offering of the Senior Secured Floating Rate Notes will be €325.0 million and the gross proceeds from the offering of the Senior Secured Fixed Rate Notes will be €400.0 million. Pending the consummation of the Acquisition, an amount equal to the gross proceeds of the Offering will be deposited into two segregated escrow accounts in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes, respectively. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Prepayment*".

Upon satisfaction of the conditions to the release of the amounts deposited in the Notes escrow accounts, the gross proceeds from the offering of the Notes will be used to (i) fund part of the purchase price for the Acquisition under the Acquisition Agreement, (ii) repay in full the 2013 Senior Secured Notes and the Existing Senior Secured Credit Facilities Agreement, (iii) fund additional cash on the balance sheet for general corporate purposes; and (iv) pay related fees and expenses.

The following table illustrates the estimated sources and uses of funds relating to the Transactions if the Acquisition were to close on or about September 30, 2016. Actual amounts are subject to adjustment and may differ significantly from estimated amounts at the time of the consummation of the Acquisition, depending on several factors, including development in working capital, differences from our estimates of fees and expenses and the timing of the Completion Date.

Sources of funds (In millions of Euros)		**Uses of funds (In millions of Euros)**	
Notes offered hereby[(1)]	725.0	Purchase price for the Acquisition[(3)]	447.0
Equity Contribution[(2)]	302.0	Net Refinancing[(4)]	529.4
		Incremental cash overfund[(5)]	7.0
		Estimated transaction costs[(6)]	43.6
Total sources	**1,027.0**	**Total uses**	**1,027.0**

(1) Represents €725.0 million aggregate principal amount due at maturity excluding the applicable issue discount. Pursuant to the escrow agreement governing the Notes, we may fund the interest payments on the Notes prior to the Completion Date with the escrowed proceeds from the Offering. We intend to fund any resultant shortfall in the sources for completion of the Transactions with additional cash generated from Group operations.

(2) Represents the indirect cash investment expected to be made by the CVC Funds, which will be contributed through intermediate holding companies to the Issuer.

(3) Represents the expected total cash purchase price payable to Gaming Invest S.à r.l. for the shares to be acquired under the Acquisition Agreement, based on the assumption that the Acquisition is consummated on or about September 30, 2016, to be partially funded with the proceeds under tranche A under the Notes (the "**Tranche A**", which, in aggregate, is equal to €187.0 million).

(4) Represents the following amounts outstanding as of the estimated Completion Date: (i) €275.0 million principal amount owed by Sisal Group S.p.A. under the 2013 Senior Secured Notes and €295.5 million owed by Sisal Group S.p.A. under Term Loan A1, Term Loan B1, Term Loan C1 and the revolving facility under the Existing Senior Secured Credit Facilities Agreement to be partially repaid with the proceeds under tranche B under the Notes (the "**Tranche B**" which, in aggregate, is equal to €411.0 million) and (iii) €116.8 million owed by Sisal under Term Loan A2, Term Loan B2 and Term Loan C2 under the Existing Senior Secured Credit Facilities Agreement to be partially repaid with the proceeds under tranche C under the Notes (the "**Tranche C**", which, in aggregate, is equal to €127.0 million) net of cash on the balance sheet of €157.9 million expected to be freely available on the Completion Date. For information on Tranche A, Tranche B and Tranche C, see "*Limitations on Validity and Enforceability of the Guarantee and the Notes Collateral and Certain Insolvency Law Considerations.*" In the event that freely available cash on the balance sheet on the Completion Date is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the New Revolving Credit Facility on the Completion Date to fund any shortfall to complete the Transactions. Moreover, should the Completion Date occur subsequent to September 30, 2016, we will owe additional amounts of accrued interest under the 2013 Senior Secured Notes. See "*The Transactions—The Refinancing.*"

(5) Represents the anticipated additional cash funding on the balance sheet for general corporate purposes following the Transactions.

(6) Represents the estimated transaction costs associated with the Transactions, including initial purchaser discounts, commitment and financial advisory fees and other transaction costs and professional expenses to be partially funded with the proceeds under Tranche A.

CAPITALIZATION

The following table sets forth the unrestricted cash and cash equivalents and consolidated capitalization as of March 31, 2016, (i) of Sisal Group, on a historical consolidated basis, and (ii) of the Issuer and its subsidiaries on an adjusted basis after giving pro forma effect to the Transactions, including the offering of the Notes and the application of the proceeds therefrom.

This table should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Certain Financing Arrangements*", "*Description of the Notes*", "*Unaudited Pro Forma Financial Information*" and the Consolidated Financial Statements and related notes included elsewhere in this offering memorandum.

	As of March 31, 2016	
	Actual	As adjusted
	(In millions of Euro) (unaudited)	
Cash and cash equivalents[(1)]	161.2	4.0
Existing Senior Secured Credit Facilities Agreement[(2)]	418.6	—
2013 Senior Secured Notes[(3)]	275.0	—
Shareholder Loan C[(4)]	417.1	
Other debt[(5)]	3.2	3.2
New Revolving Credit Facility[(6)]	—	—
Notes offered hereby[(7)]	—	725.0
Total Debt	**1,113.9**	**728.2**
Total Equity attributable to owners of the Parent[(8)]	**(6.8)**	**291.4**
Total capitalization	**1,107.1**	**1,019.6**

(1) Excludes €164.2 million of restricted cash, which represents prize winnings and, to a lesser extent, deposits made by players for our online games. For further information on restricted cash, see note 15 to our Unaudited Condensed Consolidated Interim Financial Statements included elsewhere in this offering memorandum. The "as adjusted" amount mainly reflects: (i) the Equity Contribution of €302.0 million, (ii) the payments of the Purchase Price for the Acquisition of €447.0 million, (iii) the proceeds from the Offering of €696.9 million (net of fees of €28.1 million), (iv) the cash absorbed by the Refinancing of €693.6 million and (v) the estimated transaction costs for the Acquisition of €15.5 million, in each case, as of March 31, 2016.

(2) Represents borrowings outstanding under the Existing Senior Secured Credit Facilities Agreement. Amounts shown are gross of unamortized debt issuance costs of €3.2 million. As described in "*Use of Proceeds*", a portion of the gross proceeds from the Refinancing will be applied to prepay all of our indebtedness outstanding under the Existing Senior Secured Credit Facilities Agreement.

(3) The amount represents the aggregate principal amount of the 2013 Senior Secured Notes outstanding, excluding accrued and unpaid interest. Amounts shown are gross of unamortized debt issuance costs of €3.3 million. As described in "*Use of Proceeds*", a portion of the gross proceeds from the Refinancing will be applied to redeem all of the outstanding 2013 Senior Secured Notes. We assume that all of the outstanding 2013 Senior Secured Notes will be redeemed at the redemption price of 100%, plus any accrued and unpaid interest as of the redemption date. Completion of the redemption of the 2013 Senior Secured Notes will be conditional upon the completion of the Acquisition.

(4) Represents Sisal Group's indebtedness outstanding under the shareholder loan which Gaming Invest S.à r.l. shall irrevocably and unconditionally cancel upon completion of the acquisition, with the consequent effect of a recapitalization of Sisal Group's equity for the same amount.

(5) Represents other indebtedness owed by certain Sisal Group companies, mainly related to financial leases.

(6) Represents the €125.0 million super senior revolving credit facility established under the New Revolving Credit Facility Agreement, which is expected to be undrawn at the Completion Date. In the event that freely available cash on the balance sheet is lower than our estimate due to, among other things, a negative movement in working capital, we may draw down amounts under the New Revolving Credit Facility on the Completion Date to fund any shortfall to complete the Transactions. Moreover, should the Completion Date occur subsequent to September 30, 2016, we will owe additional amounts of accrued interest under the 2013 Senior Secured Notes. See "*The Transactions*". See "*Description of Certain Financing Arrangements—New Revolving Credit Facility*".

(7) Represents the estimated proceeds of the Offering, gross of the estimated transaction costs of €28.1 million.

(8) Represents (i) the irrevocable and unconditional cancellation of €417.1 million under Shareholder Loan C; (ii) the Equity Contribution; (iii) the net impact on equity of €405.6 million in connection with the Acquisition; (iv) the net impact on equity of €4.7 million in connection with the unamortized fees of the facilities under the Existing Senior Secured Credit Facilities Agreement to be repaid pursuant to the Refinancing; and (v) the net impact on equity of €10.6 million in estimated transaction costs related to the Acquisition.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected unaudited condensed consolidated statement of comprehensive income information, unaudited condensed consolidated statement of financial position information and unaudited condensed consolidated statement of cash flows information as of March 31, 2016 and for the three months ended March 31, 2016 and 2015 have been derived from the Unaudited Condensed Consolidated Interim Financial Statements. Interim results are not necessarily indicative of the results that may be expected for any other interim period nor are they indicative of results for a full year.

The following selected consolidated statement of comprehensive income information, consolidated statement of financial position information and consolidated statement of cash flows information as of and for the years ended December 31, 2015, 2014 and 2013 have been derived from the Consolidated Financial Statements.

This Selected Consolidated Financial Information should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements and the Consolidated Financial Statements included elsewhere in this offering memorandum and the information set forth in "*Summary*", "*Business*", "*Use of Proceeds*", "*Capitalization*", "*Summary Consolidated Financial Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Unaudited Pro Forma Financial Information*".

Selected Consolidated Statement of Comprehensive Income Information

	Three months ended March 31,		Year ended December 31,		
	2016	2015	2015	2014	2013
	(Unaudited)		(In millions of Euro)		
Total revenues and income	**192.4**	**191.2**	**787.1**	**821.0**	**772.3**
Total costs	139.1	144.5	605.5	636.0	674.1
Gross operating profit before amortization, depreciation, provisions and impairment losses and reversal	**53.3**	**46.7**	**181.6**	**185.0**	**98.2**
Amortization, depreciation, provisions and impairment losses and reversals	26.0	25.4	129.5	114.7	110.3
Net finance expenses and similar	21.3	20.8	84.4	90.0	84.5
Profit (loss) before income taxes	**6.0**	**0.5**	**(32.3)**	**(19.7)**	**(96.6)**
Income taxes	3.9	1.7	7.4	(18.7)	2.2
Total profit (loss) for the period/year	**2.1**	**(1.2)**	**(39.7)**	**(1.0)**	**(98.8)**

Selected Consolidated Statement of Financial Position Information

	As of March 31,	As of December 31,		
	2016	2015	2014	2013
	(Unaudited)	(In millions of Euro)		
Property, Plant and Equipment	97.1	103.8	120.6	131.6
Goodwill	860.9	860.9	880.0	880.0
Intangible assets	130.1	141.4	185.6	228.9
Cash and cash equivalents	161.2	139.7	113.7	104.3
Restricted bank deposits	162.0	101.9	90.3	76.7
Other current and non-current assets[(1)]	246.0	246.5	253.1	219.8
TOTAL ASSETS	**1,657.3**	**1,594.2**	**1,643.3**	**1,641.3**
Long-term debt	1,058.4	1,051.5	1,037.7	1,107.9
Short-term debt	34.3	34.4	34.3	34.3
Current portion of long-term debt	14.6	19.8	20.1	27.5
Other current and non-current liabilities[(2)]	556.4	497.1	520.3	528.0
Total liabilities	**1,663.7**	**1,602.8**	**1,612.4**	**1,697.7**
Total equity	**(6.4)**	**(8.6)**	**30.8**	**(56.4)**
TOTAL LIABILITIES AND EQUITY	**1,657.3**	**1,594.2**	**1,643.3**	**1,641.3**

(1) Other current and non-current assets include: investments accounted for using the equity method, deferred tax assets, other non-current assets, inventories, trade receivables, current financial assets and taxes receivable and other current assets.

(2) Other current and non-current liabilities include: provision for employee severance indemnities, deferred tax liabilities, provisions for risks and charges, other non-current liabilities, trade and other payables, taxation payable and other current liabilities.

Selected Consolidated Statement of Cash Flows Information

	Three months ended March 31,		Year ended December 31,		
	2016	2015	2015	2014	2013
	(In millions of Euro)				
Net cash generated from operating activities	45.8	25.0	138.7	150.1	88.5
Net cash used in investing activities	(4.8)	(9.0)	(42.3)	(62.5)	(81.3)
Net cash used in financing activities	(19.5)	(19.4)	(70.3)	(78.2)	(55.8)
Net increase (decrease) in cash and cash equivalents	**21.5**	**(3.4)**	**26.1**	**9.4**	**(48.6)**

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information (the "**Unaudited Pro Forma Financial Information**") presents the unaudited pro forma consolidated statement of financial position as of March 31, 2016 and the pro forma consolidated statement of comprehensive income for the twelve months ended March 31, 2016 of the Issuer.

The Unaudited Pro Forma Financial Information has been prepared in accordance with the accounting policies adopted by the Issuer and Sisal Group to represent the following pro forma effects of the Transactions on the Group: (i) the Acquisition; (ii) the Equity Contribution; (iii) the Refinancing; (iv) the Notes offered hereby; (v) the cancellation of the Shareholder Loan C; and (vi) the payment of certain fees and expenses associated with the Acquisition (collectively, the "**Transactions**"). The pro forma effects are represented as though the Transactions had occurred on March 31, 2016 for the pro forma consolidated statement of financial position information and on April 1, 2015 for the pro forma consolidated statement of comprehensive income. For further information on the Transactions, see "*The Transactions*" and "*Use of Proceeds*".

The Unaudited Pro Forma Financial Information is based on our current estimates of, and good faith assumptions regarding, the adjustments arising from the Transactions. The Unaudited Pro Forma Financial Information is for informational purposes only and does not purport to represent or to be indicative of the consolidated results of operations or financial position that the Group would have reported had the Transactions been completed as of the dates presented, and is not, and should not be taken as, representative of the Group's future consolidated results of operations or financial position, nor does it purport to project the Group's financial position as of any future date or results of operations for any future period. The Unaudited Pro Forma Financial Information was not prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited Pro Forma Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards. Moreover, given the different purpose of the pro forma data compared to the data in the historical financial statements and the different methods of calculating the effects of the Transactions on the pro forma consolidated financial position and the pro forma consolidated statement of comprehensive income, these documents should be read and interpreted without attempting to reconcile them.

The Unaudited Pro Forma Financial Information should be read in conjunction with (i) "*The Transactions*", "*Use of Proceeds*", "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"; (ii) the audited consolidated financial statements of Sisal Group as of and for the years ended December 31, 2013, 2014 and 2015, included elsewhere in this offering memorandum; and (iii) the unaudited condensed consolidated interim financial statements of Sisal Group as of and for the three months ended March 31, 2016, included elsewhere in this offering memorandum.

Pro forma consolidated statement of financial position as of March 31, 2016

The following table shows the pro forma adjustments made in order to present the main potential effects of the Transactions on the consolidated statement of financial position of the Issuer as of March 31, 2016.

		Pro forma Adjustments							
(In millions of Euro)	Statement of financial position of the Issuer	Consolidated statement of financial position of Sisal Group	Cancellation of the Shareholder Loan C	Equity Contribution	Acquisition	Offering	Refinancing	Transaction Costs related to the Acquisition	Pro forma statement of financial position of the Issuer
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
A) NON-CURRENT ASSETS									
Property, Plant and Equipment		9	—	—	—	–	—	—	97
Goodwill		86	—	—	41.4	–	—	—	902
Intangible assets		13	—	—	—	–	—	—	130
Deferred tax assets		2	—	—	—	–	—	4.9	27
Other non-current assets		2	—	—	—	–	—	—	22
Total non-current assets		**1,13**	**—**	**—**	**41.4**	**–**	**—**	**4.9**	**1,178**
B) CURRENT ASSETS									

(In millions of Euro)	Statement of financial position of the Issuer	Consolidated statement of financial position of Sisal Group	Pro forma Adjustments: Cancellation of the Shareholder Loan C	Pro forma Adjustments: Equity Contribution	Pro forma Adjustments: Acquisition	Pro forma Adjustments: Offering	Pro forma Adjustments: Refinancing	Pro forma Adjustments: Transaction Costs related to the Acquisition	Pro forma statement of financial position of the Issuer
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Inventories		8	—	—	—	–	—	—	8
Trade receivables		145	—	—	—	–	—	—	145
Tax receivable		0	—	—	—	–	—	—	0
Restricted bank deposits		162	—	—	—	–	—	—	162
Cash and cash equivalents		16	—	302.0	(447.0)	696.	(693.6)	(15.5)	4
Other current assets		47	—	—	—	–	—	—	47
Total current assets		**524**	**—**	**302.0**	**(447.0)**	**696.**	**(693.6)**	**(15.5)**	**367**
TOTAL ASSETS		**1,657**	**—**	**302.0**	**(405.6)**	**696.**	**(693.6)**	**(10.6)**	**1,546**
A) EQUITY									
Total equity attributable to owners of the parent		(6	417.1	302.0	(405.6)	–	(4.7)	(10.6)	291
Equity attributable to non-controlling interests		0	—	—	—	–	—	—	0
Total equity		**(6**	**417.1**	**302.0**	**(405.6)**	**–**	**(4.7)**	**(10.6)**	**291**
B) NON-CURRENT LIABILITIES									
Long-term debt		1,058	(417.1)	—	—	696.	(641.3)	—	696
Provision for employee severance indemnities		9	—	—	—	–	—	—	9
Deferred tax liabilities		11	—	—	—	–	—	—	11
Provisions for risks and charges		12	—	—	—	–	—	—	12
Other non-current liabilities		2	—	—	—	–	—	—	2
Total non-current liabilities		**1,094**	**(417.1)**	**—**	**—**	**696.**	**(641.3)**	**—**	**732**
C) CURRENT LIABILITIES									
Trade and other payables		243	—	—	—	–	—	—	243
Short-term debt		34	—	—	—	–	(34.3)	—	-

(In millions of Euro)	Statement of financial position of the Issuer	Consolidated statement of financial position of Sisal Group	Pro forma Adjustments: Cancellation of the Shareholder Loan C	Pro forma Adjustments: Equity Contribution	Pro forma Adjustments: Acquisition	Pro forma Adjustments: Offering	Pro forma Adjustments: Refinancing	Pro forma Adjustments: Transaction Costs related to the Acquisition	Pro forma statement of financial position of the Issuer
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Current portion of long-term debt.....	·	1	—	—	—	–	(11.5)	—	3
Tax payable ..	·	1	—	—	—	–	(1.8)	—	0
Other current liabilities	·	27	—	—	—	–	—	—	274
Total current liabilities	·	**56**	**—**	**—**	**—**	**–**	**(47.6)**	**—**	**521**
TOTAL LIABILITIES AND EQUITY.	·	**1,65**	**—**	**302.0**	**(405.6)**	**696.**	**(693.6)**	**(10.6)**	**1,546**

(*) Pro forma cash and cash equivalents does not include the anticipated additional cash funding on the balance sheet for general corporate purposes following the Transactions of €7.0 million.

Pro forma consolidated statement of comprehensive income for the twelve months ended March 31, 2016

The following table shows the pro forma adjustments made in order to present the main potential effects of the Transactions on the consolidated statement of comprehensive income of the Issuer for the twelve months ended March 31, 2016.

(In millions of Euro)	Statement of comprehensive income of the Issuer	Pro forma Adjustments: Consolidated statement of comprehensive income of Sisal Group	Pro forma Adjustments: Offering	Pro forma Adjustments: Refinancing	Pro forma statement of comprehensive income of the Issuer
	(A)	(B)	(C)	(D)	
Revenues.....	—	690.1	—	—	690.1
Fixed odds betting income.....	—	94.7	—	—	94.7
Other revenues and income.....	—	3.5	—	—	3.5
Total revenues and income	**—**	**788.3**	**—**	**—**	**788.3**
Purchases of materials, consumables and merchandise.....	—	11.1	—	—	11.1
Costs for services.....	—	441.7	—	—	441.7
Lease and rent expenses.....	—	23.6	—	—	23.6
Personnel costs.....	—	88.3	—	—	88.3
Other operating costs	—	35.4	—	—	35.4
Amortisation, depreciation, provisions and impairment losses and reversals	—	130.1	—	—	130.1
Net operating profit (EBIT)	**—**	**58.1**	**—**	**—**	**58.1**
Finance income and similar	—	0.5	—	—	0.5
Finance expenses and similar	—	85.4	56.4*	(84.9)	56.9
Share of profit/(loss) of companies accounted for using the equity method	—	—	—	—	—
Loss before income taxes.....	**—**	**(26.8)**	**(56.4)**	**84.9**	**1.7**
Income taxes	—	9.6	(15.5)	21.0	15.1
Loss for the year.....	**—**	**(36.4)**	**(40.9)**	**63.9**	**(13.4)**
Profit attributable to non-controlling	—	***0.1***	—	—	0.1

(In millions of Euro)	Statement of comprehensive income of the Issuer	Pro forma Adjustments: Consolidated statement of comprehensive income of Sisal Group	Pro forma Adjustments: Offering	Pro forma Adjustments: Refinancing	Pro forma statement of comprehensive income of the Issuer
	(A)	(B)	(C)	(D)	
interests					
Loss attributable to owner of the parent	**—**	***(36.5)***	***(40.9)***	***63.9***	***(13.5)***
Other comprehensive income:					
Other comprehensive income that will not be subsequently reclassified to the income statement :					
Actuarial gains (losses) on employees' defined benefit plans	—	0.5	—	—	0.5
Tax effect	—	(0.2)	—	—	(0.2)
Comprehensive loss for the year	**—**	**(36.1)**	**(40.9)**	**63.9**	**(13.1)**
Comprehensive profit attributable to non-controlling interests	—	***0.1***	—	—	***0.1***
Comprehensive income attributable to owners of the parent	**—**	***(36.2)***	***(40.9)***	***63.9***	***(13.2)***

(*) Comprises €50.8 million of cash interest expense and €5.6 million of non-cash interest expense relating to the amortization of estimated debt issuance costs.

Explanatory notes of the Unaudited Pro Forma Financial Information

Basis of preparation

The Unaudited Pro Forma Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information detailed above, adjusted to reflect the effects of the Transactions. The accounting policies adopted in preparing the Unaudited Pro Forma Financial Information are the International Financial Reporting Standards, including all the "International Financial Reporting Standards", all the "International Accounting Standards" and all the interpretations of the "International Financial Reporting Interpretations Committee", previously known as the "Standing Interpretations Committee", endorsed by the European Union ("**IFRS**").

Unless otherwise indicated, all amounts set forth in the Unaudited Pro Forma Financial Information are expressed in millions of Euros.

Description of pro forma adjustments made in preparing the Unaudited Pro Forma Financial Information

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note A—Statement of financial position of the Issuer

This column includes the stand-alone financial position of the Issuer as of March 31, 2016, derived from the financial statements of the Issuer, prepared in accordance with IFRS.

Note B—Consolidated statement of financial position of Sisal Group

This column includes the statement of financial position of Sisal Group as of March 31, 2016, derived from the Consolidated Financial Statements of Sisal Group.

Note C—Cancellation of the Shareholder Loan C

As provided by the Acquisition Agreement, on or about the Completion Date, Gaming Invest S.à r.l. shall irrevocably and unconditionally cancel the Sisal Group's indebtedness outstanding under the Shareholder Loan C, equal to €417.1 million as of March 31, 2016, with the consequent effect of a recapitalization of Sisal Group's equity for the same amount. This pro forma adjustment is based on the assumption that the cancellation of the Shareholder Loan C has no tax effect.

Note D—Equity Contribution

Represents the equity contribution of €302.0 million from the CVC Funds to the Issuer by an ordinary equity capital increase on or prior to the Completion Date.

Note E—Acquisition

The purchase price to be paid to Gaming Invest S.à r.l. is equal to (i) €417 million plus (ii) additional consideration for every month that elapses between April 1, 2016 and the closing date of the Acquisition. For the purpose of this offering memorandum, the acquisition price is expected to be €447.0 million, based on the assumption that the Acquisition is consummated on September 30, 2016.

This column includes the estimated pro forma effects that may derive from the accounting for the Acquisition. In particular, below are briefly discussed the pro forma adjustments to account for the determination of the provisional goodwill arising from the Acquisition. According to IFRS 3—Business combinations, at the time of the Acquisition, that is the date on which the Issuer will obtain control over Sisal Group (i.e. the Completion Date), should the acquisition be successful, the Group shall recognize goodwill as the excess of the consideration transferred over the net of the acquisition date amounts of the fair value of all identifiable assets acquired and the liabilities assumed. In the circumstances, in view of the fact that the fair value of the Sisal Group's assets and liabilities is not currently available, in accordance with IFRS 3, paragraph 45, goodwill has been determined on a provisional basis as difference between the consideration resulting from the Acquisition Agreement and the book value of Sisal Group's net assets as of March 31, 2016.

The following table sets forth the determination of the provisional goodwill:

(In millions of Euro)	
Total purchase consideration (a)	**447.0**
Net assets acquired	
Net assets as of March 31, 2016	(6.8)
Cancellation of Shareholder Loan C	417.1
Refinancing*	(4.7)
Elimination of previously recognized goodwill	(860.9)
Total net assets acquired (b)	**(455.3)**
Provisional goodwill (c) = (a)-(b)	**902.3**
Existing goodwill (d)	**860.9**
Pro forma adjustment (c)-(d)	**41.4**

(*) See Note G below.

It should be noted that, in accordance with IFRS 3, the purchase price allocation exercise would be made at the Completion Date and would result in the recognition at that date of all identifiable assets acquired and the liabilities or contingent liabilities assumed of Sisal Group at fair value, including the relevant deferred taxes, where applicable, with a corresponding adjustment to goodwill. As a consequence, the consolidated income statement of the Issuer will also be affected by the fair value allocated to the Sisal Group's assets and liabilities or contingent liabilities. Therefore, the information set forth above represents a simulation only.

Note F—Offering

This column includes the pro forma adjustments to the statement of financial position deriving from the proposed issuance of €725.0 million in aggregate principal amount of the Notes, net of the estimated transaction costs for the Offering, estimated to be €24.9 million and estimated issue discount of €3.2 million.

Note G—Refinancing

The proceeds from the financing described above, together with cash on the balance sheet expected to be freely available on the Completion Date, will be used to repay (i) €275.0 million as of March 31, 2016, owed by Sisal Group under the 2013 Senior Secured Notes, and (ii) €418.6 million as of March 31, 2016, owed by certain Sisal Group's companies under the Existing Senior Secured Credit Facilities Agreement. The unamortized fees related to these loans, equal to €4.7 million as of March 31, 2016, net of the related tax effect of €1.8 million (determined applying the tax rate 27.5% related to general Italian corporate income taxation "**IRES**"), are recorded in net equity.

Note H—Transaction costs

In accordance with IFRS 3, the Acquisition related costs will be expensed as incurred. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Transaction Costs have been estimated to be €15.5 million, gross of the related tax effect, estimated in €4.9 million, determined applying the tax rate 31.4%, of which 27.5% related to IRES and 3.9% related to Italian regional tax on productive activities ("**IRAP**"). The net impact on equity is €10.6 million.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note A—Statement of comprehensive income of the Issuer

This column includes the stand-alone statement of comprehensive income of the Issuer for the period from March 2, 2016 (the incorporation date) to March 31, 2016, derived from the financial statements of the Issuer.

Note B—Consolidated statement of comprehensive income of Sisal Group

This column includes the consolidated statement of comprehensive income of Sisal Group for the twelve months ended March 31, 2016, prepared as follows:

(+) consolidated statement of comprehensive income for the year ended December 31, 2015,

(–) consolidated statement of comprehensive income for the three months ended March 31, 2015,

(+) consolidated statement of comprehensive income for the three months ended March 31, 2016.

(in millions of Euro)	**Three months ended March 31, 2016**	**Three months ended March 31, 2015**	**Year ended December 31, 2015**	**Consolidated statement of comprehensive income of Sisal Group for the twelve months ended March 31, 2016**
	(B1)	**(B2)**	**(B3)**	**(B)=(B1)–(B2)+(B3)**
Revenues	164.2	167.9	693.8	690.1
Fixed odds betting income	28.0	22.9	89.6	94.7
Other revenues and income	0.2	0.4	3.7	3.5
Total revenues and income	**192.4**	**191.2**	**787.1**	**788.3**
Purchases of materials, consumables and merchandise	2.8	2.1	10.4	11.1
Costs for services	100.8	104.6	445.5	441.7
Lease and rent expenses	5.6	6.2	24.2	23.6
Personnel costs	21.2	23.4	90.5	88.3
Other operating costs	8.7	8.2	34.9	35.4
Amortisation, depreciation, provisions and impairment losses and reversals	26.0	25.4	129.5	130.1
Net operating profit (EBIT)	**27.3**	**21.3**	**52.1**	**58.1**
Finance income and similar	0.1	0.1	0.5	0.5
Finance expenses and similar	21.4	20.9	84.9	85.4
Share of profit/(loss) of companies accounted for using the equity method	—	—	—	—
Loss before income taxes	**6.0**	**0.5**	**(32.3)**	**(26.8)**
Income taxes	3.9	1.7	7.4	9.6
Loss for the year	**2.1**	**(1.2)**	**(39.7)**	**(36.4)**
Profit attributable to non-controlling interests	—	—	0.1	*0.1*
Loss attributable to owner of the parent	*2.1*	*(1.2)*	*(39.8)*	*(36.5)*
Other comprehensive income:				
Other comprehensive income that will not be subsequently reclassified to the income statement :				
Actuarial gains (losses) on employees' defined benefit plans	0.0	0.0	0.5	0.5
Tax effect	0.0	0.0	(0.2)	(0.2)
Comprehensive loss for the year	**2.1**	**(1.2)**	**(39.4)**	**(36.1)**
Comprehensive profit attributable to non-controlling interests	—	—	*0.1*	*0.1*
Comprehensive income attributable to owners of the parent	***2.1***	***(1.2)***	*(39.5)*	*(36.2)*

Note C—Offering

This column represents the finance costs related to the Offering. The effective interest rate on the Notes has been assumed to be 8.1% (based on the interest rates applicable to the Notes at the Issue Date), only to give effect to the issuance of the Notes on the pro forma consolidated statement of comprehensive income, taking also in account the expenses associated with the Offering assumed to be €24.9 million and the issue discount assumed to be €3.2 million. The tax effects of the adjustments have been calculated applying the tax rate 27.5% (IRES).

Note D—Refinancing

This column includes the elimination of the finance expense equal to €84.9 million recorded by Sisal Group in its historical financial statements in relation to the indebtedness to be refinanced (see note G to the pro forma consolidated statement of financial position above) and the related tax effect, estimated in €21.0 million, determined applying the tax rate 27.5% (IRES).

* * *

The pro forma consolidated statement of comprehensive income does not show the following non-recurring effects of costs strictly related to the Transactions:

— the Acquisition related costs estimated to be €15.5 million, gross of the related tax effect, estimated in €4.9 million;

— unamortized costs related to the borrowings subject to Refinancing, estimated to be €6.5 million, gross of the related tax effect of €1.8 million (determined applying the tax rate of 27.5%).

In addition, the Unaudited Pro Forma Financial Information does not reflect the computation of deferred tax assets related to losses equal to €2.0 million, reported by Sisal Group in the past, which can be carried forward for an unlimited period of time, in light of the fact that, on the basis of the information available as of the date of preparation of the Consolidated Financial Statements of Sisal Group, there is no evidence of realizing future taxable income against which the unused tax losses can be utilized. Furthermore, the completion of the purchase price allocation related to the Acquisition will result in the recognition of all assets and liabilities acquired at the Completion Date, based on the relevant fair value; hence, the future consolidated income statement will be accordingly affected by this exercise.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our results of operations and financial condition as of March 31, 2016 and for the three months ended March 31, 2016 and 2015, as derived from the Unaudited Condensed Consolidated Interim Financial Statements, and as of and for the years ended December 31, 2015, 2014 and 2013, as derived from the Consolidated Financial Statements. The Unaudited Condensed Consolidated Interim Financial Statements and the Consolidated Financial Statements are included elsewhere in this offering memorandum.

You should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information", "Unaudited Pro Forma Financial Information", "Selected Consolidated Financial Information" and "Capitalization", which are included elsewhere in this offering memorandum.

This discussion includes forward-looking statements, which although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "Information Regarding Forward-Looking Statements" and, for a discussion of the risks and uncertainties which we face, you should also see "Risk Factors".

Overview

We are one of the leading operators in the Italian gaming and betting ("**Gaming**") market and have been so for the past 70 years. We offer a broad portfolio of products through physical (or "retail channel") and online channels. Following a diversification strategy, started in 2002, we have continued to strengthen our position as one of the leaders in the Italian payments and services ("**Payments and Services**") market by taking advantage of our widespread presence in local markets, direct access to customers and distribution and technological synergies with our Gaming business.

Through our Gaming business, we offer a broad portfolio of products, including gaming machines ("**Gaming Machines**") (such as slot machines and video lottery terminals ("**VLTs**")), betting and lottery games and online games, such as poker, casino and bingo. Our products are offered through both retail channels and online through the portal "Sisal.it" and mobile applications. As of December 31, 2015, we operated through 4,669 branded points of sale, characterized by various formats identifiable with our brands ("**Branded Channel**"), and a network of 40,068 affiliated points of sale, connected electronically with our information system and located throughout Italy ("**Affiliated Channel**"). Our retail network includes points of sale whose primary business does not involve Gaming, such as newsstands, bars, and tobacconists, as well as points of sale exclusively dedicated to Gaming Machines, betting and lottery games.

We have a proven track record of successfully operating our business in a highly regulated environment. In Italy, gaming companies must have a concession from the national regulator. The regulator establishes tender criteria for gaming concessions, for example by requiring bidders to show an extensive territorial presence in Italy and expertise in the information technology processes necessary for the operation of a gaming network. Our gaming concessions have maturities up to six years, and we have a history of successfully renewing each of our concessions. The payment and financial services segment of the Payments and Services industry is regulated by the Bank of Italy, from whom we hold a license to operate as a payment institution.

As part of our Payments and Services business, we provide the following services: payment of invoices, household bills, fines, taxes and subscriptions; top up of prepaid debit cards and money transfer; top up of phone cards, international phone cards and pay-per-view TV cards; and the sale of certain small off-the-shelf products. Due to the low penetration of online and direct debit payment options, as well as for cultural reasons, Italian consumers frequently seek to make cash payments through "local" channels such as bars and newsagents rather than through traditional channels such as post offices and bank branches. We offer consumers the ability to pay over 500 types of bills, fines and certain taxes such as TV licenses, as well as top-up prepaid mobile phones and debit cards, through partnerships with 96 utilities, prepaid services providers and municipal governments. Our points of sale are open more days, have longer opening hours and generally shorter queues than post offices and bank branches, saving our customers time.

In 2013, we redefined our strategy for managing our activities. Until then, we operated under three operating segments: (i) Entertainment, (ii) Lottery, and (iii) Digital Games and Services. In December 2013, we separated Digital Games and Services into two distinct operating segments, (i) Online Gaming and (ii) Payments and Services, thereby creating a total of four business segments. The further division of our operating segments was prompted by the significant growth of the distinct products and services offered in our previous Digital Games and Services operating segment, which created the need for separate strategic models for each segment. As part of these changes, the Entertainment operating segment was renamed Retail Gaming, as it manages a part of our retail distribution network, known as the Branded Channel.

Business Segment Reporting

Our four operating segments are the following:

Retail Gaming: dedicated to the operation of (i) Gaming Machines (slot machines and VLTs), (ii) fixed-odd betting and totalizer betting on sport events. Our Retail Gaming operating segment also manages the Branded Channel and a portion of the points of sale in the Affiliated Channel.

Lottery: responsible for operating the exclusive concession for national totalizator number games ("**NTNG**"), which includes, among others SuperEnalotto (renewed in February 2016), VinciCasa, Win For Life, SiVinceTutto and Eurojackpot. NTNGs are collected through the Branded Channel and the Affiliated Channel, as well as our two online portals and the 17 online portals managed by third parties and connected to our NTNG information platform. The Lottery operating segment also manages the points of sale in the Affiliated Channel that are not managed by the Retail Gaming operating segment.

Online Gaming: responsible for managing the activities of our online Gaming business, through our website Sisal.it and mobile phone channel. The Group's online offering is among the most extensive in the market and includes the entire portfolio of products available in accordance with governing regulations, including online betting and virtual races, online poker and skill games, casino and slots, quick games, lottery and bingo games.

Payments and Services: responsible for managing the following activities: (i) payment of invoices, household bills, fines, taxes and subscriptions; (ii) the "top up" of prepaid debit cards and money transfer; (iii) the "top up" of phone cards and pay-per-view TV cards; and (iv) the sale of certain products, such as small electronics and toys. This operating segment distributes its services and products through both the Branded and Affiliated Channels, the latter including 6,605 "service only" points of sale as of December 31, 2015, as well as through the online portal Sisalpay.it.

For segment reporting purposes, we report revenues and income and EBITDA, as well as revenues and income net of revenues paid back to the supply chain. The portion of revenues and income paid back to the supply chain has no significant effect on Group results as it is absorbed by the costs of the supply chain itself. EBITDA for our operating segments represents the profit (or loss) for the period adjusted for: (i) amortization, depreciation, impairment losses and reversals of property, plant and equipment of intangible assets; (ii) finance income and similar; (iii) finance expenses and similar; (iv) share of profit/(loss) of companies accounted for using the equity method; and (v) income taxes.

Key Factors Affecting Our Financial Condition and Results of Operations

Gaming Market

Market trend in Italy and Group trend

Our Gaming revenues are driven by the turnover generated in our retail distribution network and on our online platform. The turnover we collect can be influenced by overall economic conditions and the introduction of new bets and games that may affect the volumes of existing bets and games. Betting and gaming products are susceptible to consumer trends, and the improvement and expansion of product offerings by our competitors may attract customers away from those products we offer and thus reduce our revenues and contribution margin as well as our market share.

After doubling its size between 2007 and 2012, the Italian Gaming market remained relatively stable during the three years ended December 31, 2015. Turnover was €84.3 billion for the year ended December 31, 2013 compared to €84.2 billion for the year ended December 31, 2014, reflecting lower wagers for Gaming Machines (from €47.4 billion for the year ended December 31, 2013 to €46.7 billion for the year ended December 31, 2014), especially VLTs primarily due to the completion of the roll-over process by all concessionaires, the difficult macroeconomic conditions and an increase in taxation. Meanwhile, wagers for Lottery products remained stable (from €17.3 billion for the year ended December 31, 2013 to €17.2 billion for the year ended December 31, 2014), due to low average jackpots and payouts. The decline in Gaming Machines was offset by higher wagers for Betting products (from €3.3 billion for the year ended December 31, 2013 to €4.4 billion for the year ended December 31, 2014). Skill, card & Casino gaming wagers decreased for the year ended December 31, 2014, from €14.8 billion for the year ended December 31, 2013 to €14.4 billion and wagers for Bingo for the year ended December 31, 2014 (€1.5 billion) were in line with the year ended December 31, 2013 (€1.5 billion).

From 2014 to 2015, turnover in the Italian Gaming market increased from €84.2 billion for the year ended December 31, 2014 to €88.0 billion for the year ended December 31, 2015, driven by (i) Betting (from €4.4 billion for the year ended December 31, 2014 to €4.3 billion for the year ended December 31, 2015) and, in particular, Virtual Races, reflecting players' tendency towards higher payout products, which creates a more positive player experience and entices players to spend more; (ii) Gaming Machines (from €46.7 billion for the year ended December 31, 2014 to €48.2 billion for the year ended December 31, 2015) and (iii) Skill, Card and Casino Games (from €14.4 billion for the year ended December 2014 to €16.9 billion for the year ended December 31, 2015). Lottery products decreased in 2015 (from €17.2 billion for the year ended December 31, 2014 to €17.1 billion for the year ended December 31, 2015), as traditional betting and gaming products such as horse race betting, bingo and lotteries are losing market share to newer betting and gaming products, such as VLTs and online betting and gaming. A driver for this shift is that newer products, like virtual events and online games, offer higher payout rates and more frequent wins. As a result of this trend, in February 2016 we re-launched our most significant NTNG product, SuperEnalotto, offering players increased payouts and winning odds, richer jackpot and higher frequency and instant wins. See "*Industry*" for more information on the Italian Gaming market trend.

The following tables set forth an analysis of our total gaming and betting turnover and revenues and income generated by each gaming business.

	Three months ended March 31,							
	2016				2015			
	Turnover	Gaming revenue and income[1]	%	% Revenue turnover ratio	Turnover	Gaming revenue and income[1]	%	% Revenue turnover ratio
		(Unaudited)				(Unaudited)		
	(In millions of Euro, except percentages)							
Slot Machines	557.8	48.6	36.1 %	8.7 %	557.2	60.2	44.0 %	10.8 %
VLTs	481.4	29.6	22.0 %	6.1 %	413.2	25.5	18.7 %	6.2 %
Lotteries[2]	328.4	12.4	9.2 %	3.8 %	273.2	10.3	7.5 %	3.8 %
Virtual Races	56.7	7.5	5.6 %	13.2 %	63.8	8.1	5.9 %	12.7 %
Sports betting including fixed odds betting[3]	192.1	28.2	20.9 %	14.7 %	173.7	23.1	16.9 %	13.3 %
Horse betting[3]	28.3	2.2	1.6 %	7.8 %	31.8	2.8	2.0 %	8.8 %
Bingo	—	—	n.s.	n.s.	1.5	0.3	0.2 %	20.0 %
Online games[4]	293.8	6.2	4.6 %	2.1 %	247.4	6.6	4.8 %	2.7 %
Total	**1,938.5**	**134.7**	**100.0 %**	**6.9 %**	**1,761.8**	**136.9**	**100.0 %**	**7.8 %**

(1) Includes offline and online lotteries.

(2) Includes gaming and fixed odds revenues.

(3) Includes offline and online betting.

(4) Includes online bingo.

	Year ended December 31,											
	2015				2014				2013			
	Turnover	Gaming revenue and income[1]	%	% Revenue turnover ratio	Turnover	Gaming revenue and income[1]	%	% Revenue turnover ratio	Turnover	Gaming revenue and income[1]	%	% Revenue turnover ratio
	(In millions of Euro, except percentages)											
Slot Machines	2,225.	260.	46.3 %	11.7	2,366.	293.	48.6 %	12.4	2,390.	288.	50.6 %	12.1
VLTs	1,703.	106.	19.0 %	6.3	1,643.	102.	17.0 %	6.3	1,776.	107.	18.8 %	6.0
Lotteries[2]	1,055.	39.	7.1 %	3.8	1,187.	44.	7.4 %	3.8	1,376.	52.	9.1 %	3.8
Virtual races.	237.	30.	5.4 %	12.7	235.	29.	4.9 %	12.6	0.	0.	n.s.	20.0
Sports betting including fixed odds betting[3]	625.	90.	16.0 %	14.5	575.	100.	16.6 %	17.5	520.	87.	15.3 %	16.8
Horse betting[3]	113.	9.	1.7 %	8.3	119.	10.	1.7 %	8.4	144.	12.	2.2 %	8.7
Bingo	4.	0.	0.1 %	17.1	8.	1.	0.2 %	17.5	7.	0.	0.1 %	8.9
Online games[4]	1,022.	25.	4.4 %	2.4	892.	21.	3.6 %	2.4	835.	21.	3.7 %	2.5
Total	**6,988.**	**563.**	**100.0 %**	**8.1**	**7,028.**	**604.**	**100.0 %**	**8.6**	**7,052.**	**569.**	**100.0 %**	**8.1**

(1) Includes offline and online lotteries.

(2) Includes gaming and fixed odds revenues.

(3) Includes offline and online betting.

(4) Includes online bingo.

Our turnover during the period under review has been affected by the following factors, mainly reflecting the market trends discussed above:

- the introduction of new forms of online gaming both through our online platform and mobile applications and our shift towards more profitable online games, such as casino and betting, as opposed to online poker which has registered a decrease in the market in recent years;
- the decrease in the number of slot machines (from 39,118 at the end of 2013 to 32,338 at the end of 2015), reflecting our strategy to replace slot machines with new technology and more appealing VLTs;
- the increase in the number of VLTs (from 4,584 at the end of 2013 to 5,199 at the end of 2015). The total number of VLTs temporarily decreased for the year ended December 31, 2014 as a result of extraordinary replacement and renewal actions in connection with certain gaming platforms;
- a positive performance of sports betting, primarily driven by Virtual Races which were launched in December 2013 and have become one of the main drivers of our betting performance; and
- a decline in the Italian lottery market, mainly driven by negative macroeconomic conditions and the players' general shift to higher-payout gaming products, which has particularly affected our major NTNG product, SuperEnalotto (re-launched in February 2016).

In the period under review, the overall variation in turnover was relatively limited due to the dynamic product mix which resulted in a significant increase in online gaming and a moderate reduction in the turnover generated by Gaming Machines and Lottery products.

Expansion of our Branded Channel

In the three year period ended December 31, 2015, our results of operations have been positively affected by a significant expansion of our Branded Channel. At the end of 2015, we directly managed 21 WinCity gaming halls (seven at the end of 2013), 452 SmartPoint points of sale (five at the end of 2013), 361 Matchpoint shops (312 at the end of 2013) and 3,835 Matchpoint corners (3,689 at the end of 2013), strategically located throughout the entire country. Overall, our Branded Channel points of sale increased from 4,014 as of December 31, 2013 to 4,699 December 31, 2015.

The Branded Channel points of sale have the highest performance across our distribution network in terms of gaming volumes and allow us to capture a higher portion of the gaming value chain, achieving higher margins. Through the Branded Channel, the Group is compensated for the component of the value chain related to the retailer, in addition to concessionaire compensation, as in the case of WinCity gaming halls and the MatchPoint shops, and for the component for slot machine "operator", as in the case of the MatchPoint corners and the SmartPoint.

For the year ended December 31, 2015, our Branded Channel generated revenue of €272.6 million (or 55.9% of our total revenue), compared to €273.2 million (or 51.6% of our total revenue) for the year ended December 31, 2014 and €210.8 million (or 42.9% of our total revenue) for the year ended December 31, 2013.

Regulation

We operate in a complex regulatory environment, in particular with respect to our gaming operations, which is subject to continuous evolution. The Italian gaming market is regulated by the Italian government, through ADM, the national regulator, and the other bodies responsible for the control and regulation of this market. Such bodies dictate, among other factors, gaming taxes, minimum payout ratios (i.e. the minimum amount payable as winnings) and the number of gaming machines that we can operate, all of which have a direct or indirect impact on our results of operations. Changes in such regulations have in the past affected, and may continue to affect, our business, results of operations and financial condition.

For example, Law No. 190 of December 20, 2014 (the "**Italian 2015 Stability Law**") introduced for the first time a €500 million annual fee (the "**Stability Law Fee**") to be paid, starting from 2015, by all VLT and slot machines concessionaires and operators in proportion to the number of VLTs and slot machines operated by each one of them as of December 31, 2014. The Italian 2015 Stability Law provided that each VLT and slot machine concessionaire was responsible for remitting the entire portion of the 2015 Stability Law Fee—to be determined on the basis of the number of VLTs and slot machines operated under its concessions, whether or not those machines were operated directly by the concessionaire. Concessionaires were then individually responsible for seeking contribution from all partners operating VLTs and slot machines by virtue of their concession. Although the Italian 2015 Stability Law was subsequently abolished by Law No. 208 of December 28, 2015 (the "**Italian 2016 Stability Law**") and its constitutional legitimacy is currently being challenged by several concessionaires (including us), the 2015 Stability Law payment we were required to make in 2015 significantly impacted our 2015 results. The Italian 2016 Stability Law also clarified that VLT and slot machine operators would each be responsible for paying certain amounts of the Stability Law Fee based on their portion

of total VLT and slot machine turnover for the year ended December 31, 2015. Several concessionaires deemed this interpretation as a further corrective measure intended to amend the Italian 2015 Stability Law by excluding the requirement that each concessionaire is individually responsible for seeking contribution from all partners operating VLTs and slot machines under its concessions. Our portion of the Stability Law Fee for the year ended December 31, 2015 was equal to €45.8 million. Net of amounts charged back to the network, our portion reduced to €23.7 million. See "*Business—Legal Proceedings—Civil and Administrative Proceedings Relating to the Italian 2015 Stability Law*."

The Italian 2016 Stability Law, in addition to abolishing the Stability Law Fee, introduced several new provisions which are likely to affect our business in the forthcoming years. Significant changes include an increase in PREU payable on slot machines wagers from 13.0% for 2015 to 17.5% starting from 2016. Although any increases in PREU can adversely affect our results, the minimum payout for slot machines has been reduced from 74% to 70%. However, whereas the increase in PREU was applied to our entire portfolio of AWP machines as of January 1, 2016, the payout reduction was not immediately effective. In order to benefit from the payout reduction, our AWP machines have first to be collected from their location, taken to our warehouse and returned back to the relevant points of sale after the gaming cards of such machines have been updated to reflect the reduced payout. As of March 31, 2016, we had successfully reduced the AWP payout ratio in connection with approximately 850 of the total 30,779 AWPs in our network as of such date. PREU payable on VLTs has also been increased from 5.0% in 2015 to 5.5% starting from 2016. For the quarter ending March 31, 2016, the reduced payout has not resulted in a corresponding decrease in AWP activity and revenues, due to we believe both the novelty factor of the new games introduced as part of the process and the consistent habits of our customer base. For the three months ended March 31, 2016, the total estimated impact of the Italian 2016 Stability Law on gaming machines revenues and Retail Gaming EBITDA was €14.1 million and €4.8 million, respectively. Our diversified product portfolio has allowed us to offset the impact of the Italian 2016 Stability Law on gaming machine as we have witnessed strong performance from other business divisions, particularly the Payment and Services business and our Lottery business following the re-launch of SuperEnalotto.

Settlement of litigation related to Gaming Machines through payment of reduced amount

On November 8, 2013, the Department of the State Auditors confirmed the decree previously issued against the Group in relation to the reduced payment settlement of the Gaming Machines litigation, fixing the amount to be paid by the Group at 30% (or €73.5 million) of the amount originally determined by the court in 2012 (€245 million). An amount of €76.7 million was included in the financial statements for the year ended December 31, 2013, of which €73.5 million were accounted for as sundry operating costs and €3.2 million as interest expenses. The sum was paid by the Group by the end of November 2013.

The settlement of the Gaming Machines litigation also had an impact on 2014 results, in the form of a tax credit that significantly reduced our income tax obligation for the year. Following the Group's payment settlement in the litigation on Gaming Machines in 2013, Sisal and Sisal Entertainment jointly filed an appeal before the Central Office of the Italian Revenue Agency through the relevant Regional Office, asking for a confirmation of the deductibility for IRES and IRAP tax purposes of the €73.5 million payment to be made by the Group under the settlement, based on its nature as contractual damages owed by the Group to ADM (as opposed to a fine/penalty, in which case no deductibility would have been permitted). In May 2014, the Central Office of the Italian Revenue Agency confirmed the deductibility and, accordingly, we recorded a tax income for the year ended December 31, 2014 for an amount of €22.9 million.

Taxation

We are subject to corporate taxes as well as taxes on individual games which affect our contribution margin. Changes in tax legislation can affect our results of operations. In particular, the following changes in tax legislation have affected our results of operations over the period under review:

- on awarding the VLT licenses in 2009, ADM stated that the tax on the turnover of these Gaming Machines (PREU) would increase over time. The tax on VLTs was 4.0% in 2012 and increased to 5% in 2013 by the Italian Stability Law for the years 2013, 2014 and 2015. The Italian 2016 Stability Law increased PREU on VLTs from 5.0% in 2015 to 5.5% starting from 2016;
- PREU tax on slot machines was 12.7% in 2013, 12.7% in 2014, and increased to 13.0% in 2015. The Italian 2016 Stability Law increased PREU on slot machines from 13.0% in 2015 to 17.5% starting from 2016;

As Gaming Machine revenues are stated net of tax, changes in the rate of taxation have a direct effect on the profitability of operations.

Certain of the games in our portfolio offer a payout in excess of the minimum ratios required by ADM. In these cases, we are able to decrease the level of payout to the minimum payout established by ADM in order to mitigate the effect of any tax increases. In order to minimize the impact on turnover, we generally seek to make such payout reductions gradually over time. As a result, on the implementation of the gradual reduction in payout to mitigate the effect of a tax increase, the effect of the tax increase on profit margins in the short-term is only partially absorbed.

Seasonality

Certain of the games in our portfolio are subject to seasonality. In particular, the volumes of bets collected over the course of the year are affected by the schedule of sports events on which bets are accepted. The professional football season in Italy, for example, usually runs from late August to mid-May and as a result betting revenues have historically been higher in these months. The volumes of bets collected also increase during other significant sporting events, such as the FIFA Football World Cup, UEFA European Football Championship and the Olympics which occur at regular but infrequent intervals (each has a four year cycle). Additionally, during the summer months, lottery consumption and gaming in general, typically decreases while some customers are on vacation.

Lottery turnover and turnover from NTNG products such as SuperEnalotto, VinciCasa, Win For Life, SiVinceTutto and Eurojackpot is generally linked to the value of the related jackpots which in turn influences the public's propensity to play. A particularly high jackpot will result in an increase in tickets sold which in turn contributes to increases in jackpots. For instance, the €7.2 million decrease in our NTNG revenue between 2013 and 2014 was mainly driven by lower average SuperEnalotto jackpots in 2014, which reduced the game's appeal to customers and delayed the game's re-launch. Average jackpot levels decreased from €23.3 million in the year ended December 31, 2013 to €18.4 million in the year ended December 31, 2014, then decreased to €14.2 million in the year ended December 31, 2015.

Virtual Races

In December 2013, we introduced bets on virtual events, or Virtual Races, through our Branded Channel points of sale. By December 31, 2015, we had implemented Virtual Races at 3,921 points of sale, as compared with 315 points of sale as of December 31, 2013 and 3,732 as of December 31, 2014. In 2014, Virtual Races were also made available on our online platform.

In 2014, revenues from Virtual Races represented approximately 4.9% of our total gaming and betting revenues. Virtual Races have become the fourth most significant contributor to our gaming and betting revenues after NTNG and Gaming Machines. In 2015, Virtual Races (the second full year of operations) consolidated its position in terms of both turnover and revenues, representing 5.4% of our total gaming and betting revenues.

Payments and services market

The overall Italian Payments and Services market is estimated at approximately €150 billion in the year ended December 31, 2015 and relates to transactions executed to pay bills and postal pay slips, top-up prepaid debit cards and prepaid telephone cards, and TV pay-per-view cards. Of these €150 billion worth of transactions, we estimate that approximately €65 billion relate to direct debit banking services, which leaves an addressable market for our Group estimated at approximately €85 billion. We generate revenues in the form of a commission generally as follows:

- for top-ups and cards (which include top-up services for pre-paid mobile and fixed line telephone accounts and pay per view TV vouchers), we receive a fee from the utility company or other partners. The fee we earn for the services is generally based on the size of the underlying transaction; and
- for payments and financial services (which include payment of telephone and utility bills, fines and taxes, and top-ups and issuances (or, in our case, reloads) of prepaid debit cards), we receive a fee from the consumer, which is generally fixed, depending on the type of payment and financial service provided.

The following tables set forth the revenues and income generated by Payments and Services segment for the three month periods ended March 31, 2016 and 2015, and for the years ended December 31, 2015, 2014 and 2013.

	Three months ended March 31,					
	2016			2015		
	Turnover	Revenue	%	Turnover	Revenue	%
		(Unaudited) (In millions of Euro and percentage of services and non-gaming revenues)			(Unaudited)	
Top-ups and cards	324.9	9.9	27.7%	317.8	10.2	29.7%
Payments	881.3	16.9	47.2%	1,005.1	16.4	47.8%
Financial services	872.5	8.6	24.0%	745.9	7.5	21.9%
Other	7.1	0.4	1.1%	2.7	0.2	0.6%
Total	**2,085.8**	**35.8**	**100.0 %**	**2,071.5**	**34.3**	**100.0 %**

	Year ended December 31,								
	2015			2014			2013		
	Turnover	Revenue	%	Turnover	Revenue	%	Turnover	Revenue	%
	(In millions of Euro and percentage of services and non-gaming revenues)								
Top-ups and cards	1,335.2	41.5	30.2 %	1,326.3	45.2	36.4 %	1,409.6	51.9	47.1 %
Payments	3,480.3	64.3	46.8 %	2,881.4	52.2	42.1 %	2,497.0	35.9	32.5 %
Financial services	3,279.5	30.8	22.4 %	2,702.4	26.7	21.5 %	2,353.8	22.4	20.3 %
Other	15.0	0.8	0.6 %	1.7	n.s	n.s.	1.4	0.1	0.1 %
Total	**8,110.0**	**137.4**	**100.0 %**	**6,911.8**	**124.1**	**100.0 %**	**6,261.8**	**110.3**	**100.0 %**

In the period under review, our strategy has focused on extending the range of products and services offered, particularly payment services with the introduction of online and mobile payment, increasing the number of points of sale through which consumers can access our services, including our service-only points of sale, and installing advanced contactless payment technology in our entire network. The number of payment and financial services transactions processed by the Group increased from 189.7 million for the year ended December 31, 2013 to 199.0 million for the year ended December 31, 2015, representing a compound annual growth rate of 2.4%. Revenues increased by 12.5% from 2013 to 2014 and by 10.7% from 2014 to 2015. The increase in revenue from such services and products can be attributed to the combined effect of increasing demand for this type of service as compared to traditional payment methods, and the significant increase of products and services and points of sale rolled out by the Group during the period under review. Since January 2014, we have further extended our customer base by implementing and rolling out directly-owned cashless payment devices equipped with contactless technology in our entire network, and we have increased the price charged to customers for our payment services from €1.65 to €2.0 per transaction.

Acquisitions

In the three year period ended December 31, 2015, we expanded our network and number of directly managed Gaming Machines through the acquisition of certain betting and slot machine operators and we also acquired a gaming cabinet manufacturer. Set forth below is a list of the most significant acquisitions we made in the period under review:

- in January 2013, 60% of Friulgames S.r.l, an operator of more than 2,100 slot machines was acquired for a consideration of €5.0 million and the remaining 40% was acquired at the end of 2015;
- in November 2013, a business segment of Merkur Interactive Italia S.p.A., a betting and gaming business, for a consideration of €21.0 million, resulting in the addition of concessions for 75 existing agencies and 29 new concessions; and
- in August 2014, 100% of ACME S.r.l., an Italian manufacturer of gaming machines, for a consideration of €0.3 million (including an earn-out).

Description of Key Line Items and Certain Key Performance Indicators

Revenues and income

Revenues

Revenues include the consideration received by the Group for the activities discussed below:

Gaming revenues

- *Gaming machine revenues* include the revenues generated by our slot machines and VLTs distributed across the network. For segment reporting purposes, these revenues are included within the "Retail Gaming" operating segment.
- *National Totalizator Number Games revenues (NTNG revenues*) include the revenues generated on our lottery products including SuperEnalotto, Win For Life, SiVinceTutto, VinciCasa and Eurojackpot. For segment reporting purposes, online lotteries are included in "Online Gaming" and offline lotteries are included in "Lottery".
- *Virtual Races revenues* include the revenues earned on our Virtual Races products. For segment reporting purposes, online Virtual Races are included in "Online Gaming" and offline Virtual Races are included in "Retail Gaming".

- *Horse betting revenues* include the revenues earned on bets placed on horse races, and commissions on the horse pools product Tris. For segment reporting purposes, online bets are included in "Online Gaming" and offline bets are included in "Retail Gaming".
- *Online game revenues* include revenues related to online games which players can access and play directly on our website, including online cash poker, casino games and slot machine games. For segment reporting purposes these operations are included within the "Online Gaming" operating segment.
- *Sports pools revenues* include the commissions earned on the sports pools products *Totocalcio* and *Totogol*. For segment reporting purposes, online sports pools are included in "Online Gaming" and offline sports pools are included in "Retail Gaming".

Payments and other services

Payments and other services include the revenues generated by the Group on our convenience payment services offerings, including payment of bills, taxes and fines and on the sale of mobile phone and television top up cards. For segment reporting purposes these operations are included within the "Payments and Services" operating segment.

Point of sale fees

Point of sale fees relate primarily to the annual affiliation fee charged by the Group to points of sale in our distribution network that we do not directly manage including newsstands, bars, tobacconists and betting corners. For segment reporting purposes these operations are allocated across the "Retail Gaming", "Lottery", "Online Gaming" and "Payments and Services" using a driver based on revenues and turnover.

Fixed odds betting income

Fixed odds betting income relates to the bookmaking activities of the Group on sporting events such as football or rugby matches. This includes the revenues generated by bets placed in Sisal points of sale, as well as bets placed online. For segment reporting purposes, online bets are included in "Online Gaming" and offline bets are included in "Retail Gaming".

Other revenues and income

Other revenues and income includes reversals of prior year accruals, gains on disposals of fixed assets, income from reimbursements and other sundry revenues and income. Other revenues and income are allocated across the operating segments based on the nature of the revenues and income.

Purchases of materials, consumables and merchandise

Purchases of materials, consumables and merchandise relate primarily to purchases of gaming materials, spare parts and the use of inventory.

Costs for services

Costs for services primarily include:

- *Sales channel-gaming expenses* relate mainly to distribution network compensation or commission for gaming activities, including commissions paid to points of sale for our gaming products (for example sale of lottery tickets, or bets placed at bars and tobacconists), and commissions paid to establishments which house our Gaming Machines;
- *Sales channel Payments services* include distribution network compensation for phone top-ups, payment and financial services, including the commissions paid to points of sale in the distribution network for executing these transactions in their establishments;
- *Commercial services* relate mainly to marketing and commercial expenses, relating to advertising and promotional expenses, including advertising on national television, national press and computerized billboards, and expenses incurred in relation to promotional events, and other commercial incentives and services; and
- *Consulting* includes mainly legal expenses incurred, and to a lesser extent the expenses relating to tax and technical advice.

Lease and rent expenses

Lease and rent expenses relate primarily to the rent incurred by the Group on properties and to a lesser extent to vehicle and gaming hardware leases.

Personnel costs

Personnel costs include the expense of the salaries and wages, social security contributions and employee service indemnity from our workforce.

Other operating costs

Other operating costs mainly include gaming and concession fees.

Amortization, depreciation, provisions and impairment losses and reversals

Amortization, depreciation, provisions and impairment losses and reversals mainly relates to the amortization of intangible assets, depreciation of property, plant and equipment, impairment losses on fixed assets and impairment of receivables.

Finance income and similar

Finance income and similar includes other finance income, comprising primarily the interest we generate on our cash deposits, and fair value gains on derivative financial instruments.

Finance expenses and similar

Finance expense and similar includes interest and other finance expenses on our third party debt and Shareholder Loans, fair value losses on derivative financial instruments and foreign exchange gains and losses.

Income taxes

Income tax expense comprises current income tax expense and deferred tax benefits or expenses.

Other Ratios and Measures

We also use certain additional key performance indicators, which in our view provide an alternative measure with which to assess our underlying performance. Our definitions of turnover, payout, and revenue/turnover ratio may differ from those used by other companies, therefore comparability may be limited. Such measures are non-IFRS measures and should not be considered as an alternative to operating profit or operating margin as a measure of operating performance. See "*Presentation of Financial and Other Information*".

Turnover

Turnover refers to the total amount of wagers collected in terms of total amount of payments received from customers in the gaming industry and convenience payment services industry, respectively. In the gaming industry "turnover" is also widely referred to as "wagers" and in the convenience payment services industry, this term refers to the amount of payments received from customers.

Payout

We define payout as the percentage of turnover which is paid out to customers as winnings from our gaming activities.

Revenue/turnover ratio

Revenue/turnover ratio is calculated as revenue divided by turnover, as defined above, and is expressed as a percentage, representing the proportion of total turnover which is converted into revenue for each individual product.

EBITDA and Adjusted EBITDA

We define EBITDA as profit (or loss) for the year/period adjusted for: (i) Amortization, depreciation, provisions and impairment losses and reversals; (ii) Finance income and similar; (iii) Finance expenses and similar; (iv) Share of profit/(loss) of companies accounted for using the equity method; and (v) Income taxes.

We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring items. Adjusted EBITDA in 2013 includes non-recurring costs of €82.1 million mainly relating to €73.5 million for the payment to settle litigation on gaming machines and €4.2 million relating to a provision for litigation with regulatory authorities. Adjusted EBITDA in 2014 includes non-recurring costs of €6.3 million relating to the IPO process and non-recurring income of €1.2 million related to the re-measurement of debt on acquisitions. Adjusted EBITDA in 2015 includes non-recurring income of €2.4 million related to the release of provisions for claims with regulatory authorities and non-recurring costs of €2.4 million mainly associated with company reorganization projects.

Revenue and income net of revenues paid back to the supply chain

In evaluating the performance of the business, management reviews revenues and income by operating segment and revenues and income by operating segment net of revenues paid back to the supply chain. Revenues paid back to the supply chain do not have a significant effect on Group results, given that they are offset by costs.

Results of Operations

Three Months Ended March 31, 2016 and 2015

	Three months ended March 31,				Change
	2016		2015		2016 - 2015
		%		%	%
	(Unaudited)		(Unaudited)		
	(In millions of Euro and percentage of total revenues and income)				
Revenues	164.2	85.3%	167.9	87.8%	(2.2)%
Fixed odds betting income	28.0	14.6%	22.9	12.0%	22.3%
Other revenues and income	0.2	0.1%	0.4	0.2%	(50.0)%
Revenues and income	**192.4**	**100.0%**	**191.2**	**100.0%**	**0.6%**
Purchases of materials, consumables and merchandise	2.8	1.5%	2.1	1.1%	33.3%
Costs for services	100.8	52.4%	104.6	54.7%	(3.6)%
Lease and rent expenses	5.6	2.9%	6.2	3.2%	(9.7)%
Personnel costs	21.2	11.0%	23.4	12.2%	(9.4)%
Other operating costs	8.7	4.5%	8.2	4.3%	6.1%
Amortization, depreciation, provisions and impairment losses and reversals	26.0	13.5%	25.4	13.3%	2.4%
Net operating profit (EBIT)	**27.3**	**14.2%**	**21.3**	**11.1%**	**28.2%**
Finance income and similar	0.1	0.1%	0.1	0.1%	n.s.
Finance expenses and similar	21.4	11.1%	20.9	10.9%	2.4%
Profit before income taxes	**6.0**	**3.1%**	**0.5**	**0.3%**	**n.s.**
Income taxes	3.9	2.0%	1.7	0.9%	n.s.
Profit for the period	**2.1**	**1.1%**	**(1.2)**	**(0.6)%**	**n.s.**

Revenues and income

The following table sets forth an analysis of our revenues and income by product and service line for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 - 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Gaming Machines revenues	78.2	40.6%	85.7	44.8%	(7.5)	(8.8)%
NTNG revenues	12.4	6.4%	10.3	5.4%	2.1	20.4%
Virtual Races	7.5	3.9%	8.1	4.2%	(0.6)	(7.4)%

	Three months ended March 31,				Change	
	2016		2015		2016 - 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Online game revenues	6.2	3.2 %	6.6	3.5 %	(0.4)	(6.1)%
Horse race betting revenues	2.2	1.1 %	2.8	1.5 %	(0.6)	(21.4)%
Other gaming revenues	0.2	0.1 %	0.5	0.3 %	(0.3)	(60.0)%
Total gaming revenues	**106.7**	**55.5 %**	**114.0**	**59.6 %**	**(7.3)**	**(6.4)%**
Fixed-odds betting income	28.0	14.6 %	22.9	12.0 %	5.1	22.3%
Total gaming and betting revenues and income	**134.7**	**70.0 %**	**136.9**	**71.6 %**	**(2.2)**	**(1.6)%**
Services and products revenues	35.8	18.6 %	34.3	17.9 %	1.5	4.4%
Point of sale revenues	20.0	10.4 %	18.9	9.9 %	1.1	5.8%
Other revenues and income(*)	1.9	1.0 %	1.1	0.6 %	0.8	72.7%
Total	**192.4**	**100.0 %**	**191.2**	**100.0 %**	**1.2**	**0.6%**

(*) Includes a share of revenues not allocated to other product/service lines in addition to the income statement item "Other revenues and income".

Total revenues and income increased by €1.2 million, or 0.6%, from €191.2 million in the three months ended March 31, 2015 to €192.4 million in the three months ended March 31, 2016, primarily as a result of the offsetting effects of the negative impact of the Italian 2016 Stability Law on Gaming machine revenues and the combined impacts of the strong performance in Fixed odd betting income and Payments and other revenue as further discussed below.

Gaming revenues

Gaming revenues decreased by €7.3 million, or 6.4%, from €114.0 million in the three months ended March 31, 2015 to €106.7 million in the three months ended March 31, 2016, primarily attributable to the combination of the following items:

Gaming Machines revenues

Gaming Machines revenues decreased by €7.5 million, or 8.8%, from €85.7 million in the three months ended March 31, 2015 to €78.2 million in the three months ended March 31, 2016, primarily due to the aforementioned estimated negative impact of €14.1 million of the Italian 2016 Stability Law and, in particular, the increase in PREU payable on slot machines wagers from 13.0% for 2015 to 17.5% starting from 2016. Such impact was only partially offset by the increase of €6.6 million in revenue resulting from the increase of €68.8 million, from €970.4 million for the three months ended March 2015 to €1,039.2 million for the three months ended March 31, 2016, in the gaming machine turnover as a result of lower payout requirements.

NTNG revenues

NTNG revenues increased by €2.1 million, or 20.4%, from €10.3 million in the three months ended March 31, 2015 to €12.4 million in the three months ended March 31, 2016, primarily due to the launch, starting February 2016, of the new SuperEnalotto game which, with an increase in the payout and average jackpot due to higher frequency wins and instant prizes, was more appealing to consumers.

Virtual Races

Virtual Races revenues decreased by €0.6 million, or 7.4%, from €8.1 million in the three months ended March 31, 2015 to €7.5 million in the three months ended March 31, 2016, primarily due to a soft Virtual Races performance. This was due to the declining consumer appeal of the offering during the three months ended March 31, 2016 resulting from the Italian governments online gaming legislation limit of 500 virtual events per day. In March 2016, the Italian government

amended this legislation, expanding the number of virtual events to 2,000 per day in addition to expanding opening times for an additional two hours per day.

Online game revenues

Total online games revenues decreased by €0.4 million, or 6.1%, from €6.6 million in the three months ended March 31, 2015 to €6.2 million in the three months ended March 31, 2016, primarily due to a higher promotion spending (bonuses to players accounted as a reduction to revenues) also related to the 13% increase in the number of the active players compared to the three months ended quarter March 31, 2015. This promotion spending has also contributed to the increase in online betting revenues. See "*—Segment Information—Online Gaming*".

Horse race betting revenues

Horse race betting revenues decreased by €0.6 million, or 21.4%, from €2.8 million in the three months ended March 31, 2015 to €2.2 million in the three months ended March 31, 2016, in line with the reduction in the appeal of this kind of games.

Fixed-odds betting income

Fixed-odds betting income increased by €5.1 million, or 22.3%, from €22.9 million in the three months ended March 31, 2015 to €28.0 million in the three months ended March 31, 2016, primarily as a result of higher performance in sport betting in terms of margins compared to the three months ended March 31, 2015.

Services and products revenues

Services and products revenues increased by €1.5 million, or 4.4%, from €34.3 million in the three months ended March 31, 2015 to €35.8 million in the three months ended March 31, 2016, primarily due to a higher number of payment and financial services transactions, which increased by 7.9 million, or 4.0%, from 15.4 million for the three months ended March 31, 2015 to 16.1 million for the three months ended March 31, 2016.

Point of sale revenues

Point of sale revenues increased by €1.1 million, or 5.8%, from €18.9 million in the three months ended March 31, 2015 to €20.0 million in the three months ended March 31, 2016, primarily due to the roll-out of new "Service Only" POS.

Other revenues and income

Other revenues and income increased by €0.8 million, or 72.7%, from €1.1 million in the three months ended March 31, 2015 to €1.9 million for the three months ended March 31, 2016.

Purchase of materials, consumables and merchandise

Costs incurred for purchases of materials, consumables and merchandise increased by €0.7 million, or 33.3%, from €2.1 million in the three months ended March 31, 2015 to €2.8 million for the three months ended March 31, 2016, primarily due to higher expenditures in gaming, marketing and promotional materials in connection with the launch of the new SuperEnalotto game.

Costs for services

The following table sets forth an analysis of costs for services for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Sales channel Gaming	52.1	27.1 %	57.4	30.0 %	(5.3)	(9.2)%
Sales channel Payments services	20.4	10.6 %	20.4	10.7 %	n.s.	n.s.
Commercial services	6.1	3.2 %	4.2	2.2 %	1.9	45.2%
Consulting	2.2	1.1 %	2.4	1.3 %	(0.2)	(8.3)%
Other service costs	20.0	10.4	20.2	10.6	(0.2)	(1.0

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
		%		%		)%
Total	**100.8**	**52.4 %**	**104.6**	**54.7 %**	**(3.8**	**(3.6)%**

Costs for services decreased by €3.8 million, or 3.6%, from €104.6 million in the three months ended March 31, 2015 to €100.8 million in the three months ended March 31, 2016, primarily attributable to the combination of the following items:

- Sales channel gaming costs decreased by €5.3 million or 9.2%, from €57.4 million for the three months ended March 31, 2015 to €52.1 million for the three months ended March 31, 2016 primarily attributable to the reduction of Gaming machines network operators' remuneration due to the Italian 2016 Stability Law impact;
- Sales channel payment services costs remain substantially unchanged from €20.4 million for the three months ended March 31, 2015 to €20.4 million for the three months ended March 31, 2016;
- Costs for commercial services increased by €1.9 million or 45.2%, from €4.2 million for the three months ended March 31, 2015 to €6.1 million for the three months ended March 31, 2016 primarily attributable to higher spending in the first quarter 2016 related to already mentioned launch of the new SuperEnalotto game;
- Other service costs decreased by €0.2 million or 1.0%, from €20.2 million for the three months ended March 31, 2015 to €20.0 million for the three months ended March 31, 2016. Other service costs are only marginally sensitive to Group turnover levels.

Lease and rent expenses

Lease and rent expenses decreased by €0.6 million, or 9.7%, from €6.2 million in the three months ended March 31, 2015 to €5.6 million in the three months ended March 31, 2016, primarily due to the renegotiation of the contractual terms of the lease agreements for certain business location including Branded Channel points of sale.

Personnel costs

The following table sets forth an analysis of personnel costs for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Salaries and wages	16.1	8.4%	17.3	9.0%	(1.2	(6.9)%
Social security contributions	4.8	2.5%	5.4	2.8%	(0.6	(11.1)%
Employee severance indemnities	1.2	0.6%	1.3	0.7%	(0.1	(7.7)%
Other personnel costs	(0.9	(0.5)%	(0.6	(0.3)%	(0.3	50.0%
Total	**21.2**	**11.0 %**	**23.4**	**12.2 %**	**(2.2**	**(9.4)%**

The following table sets forth an analysis of the average number of employees by category for the periods indicated.

	Three months ended March 31,	
Average number of employees	**2016**	**2015**
Clerical	1,367	1,474
Management staff	124	124
Laborers	129	168
Managers	46	49
Total	**1,666**	**1,815**

Average number of employees	Three months ended March 31, 2016	2015

Personnel costs decreased by €2.2 million, or 9.4%, from €23.4 million in the three months ended March 31, 2015 to €21.2 million in the three months ended March 31, 2016, primarily due to average workforce reduction, from 1,815 for the three months ended March 31, 2015 to 1,666 for the three months ended March 31, 2016. The decrease is mostly related to the call centers off-shoring process completed in the second half of 2015. As a percentage of revenues and income, personnel costs decreased from 12.2% in the three months ended March 31, 2015 to 11.0% in the three months ended March 31, 2016.

Other operating costs

The following table sets forth an analysis of other operating costs for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Gaming concession fees	5.0	2.6 %	4.8	2.5 %	0.2	4.2%
Sundry operating costs	2.5	1.3 %	2.6	1.4 %	(0.1)	(3.8)%
Other taxes and duties	0.8	0.4 %	0.6	0.3 %	0.2	33.3%
Gifts and donations	0.4	0.2 %	0.2	0.1 %	(0.2)	100.0%
Total	**8.7**	**4.5 %**	**8.2**	**4.3 %**	**0.5**	**6.1 %**

Other operating costs increased by €0.5 million, or 6.1%, from €8.2 million in the three months ended March 31, 2015 to €8.7 million in the three months ended March 31, 2016, primarily due to the increase of €0.2 million in gaming concession fees, following the increase in turnover, and of €0.2 million in other taxes and duties. These increases were only partially offset by a decrease in sundry operation costs.

Amortization, depreciation, provisions and impairment losses and reversals

The following table sets forth an analysis of amortization, depreciation, provisions and impairment losses and reversals for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(In millions of Euro and percentage of total revenues and income)					
Amortization of intangible assets	13.1	6.8 %	13.8	7.2 %	(0.7)	(5.1)%
Depreciation of property, plant & equipment	9.3	4.9 %	9.5	5.0 %	(0.2)	(2.1)%
Impairment of receivables	3.5	1.8 %	1.9	1.0 %	1.6	84.2%
Accruals and provisions for risks and charges	0.1	0.1 %	0.2	0.1 %	(0.1)	(50.0)%.
Total	**26.0**	**13.5 %**	**25.4**	**13.3 %**	**0.6**	**2.4%**

Amortization, depreciation, provisions and impairment losses and reversals increased by €0.6 million, or 2.4%, from €25.4 million in the three months ended March 31, 2015 to €26.0 million in the three months ended March 31, 2016, primarily attributable to the combination of the following items:

- impairment of receivables increased by €1.6 million, or 84.2%, from €1.9 million in the three months ended March 31, 2015 to €3.5 million in the three months ended March 31, 2016, mainly as a result of the increased turnover;
- amortization of intangible assets decreased by €0.7 million, or 5.1%, from €13.8 million in the three months ended March 31, 2015 to €13.1 million in the three months ended March 31, 2016, mainly as a result of lower capital investments made in the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Net operating profit (EBIT)

Net operating profit (EBIT) increased by €6.0 million, or 28.2%, from €21.3 million in the three months ended March 31, 2015 to €27.3 million in the three months ended March 31, 2016, attributable to the combined effect of the following items referred to above: (i) the increase of €1.2 million, or 0.6%, in revenues and income, (ii) the decrease of €3.8 million, or 3.6%, in costs for services, (iii) the decrease of €2.2 million, or 9.4%, in personnel costs, and (iv) the increase of €0.6 million, or 2.4%, in amortization, depreciation, provisions and impairment losses and reversals.

Finance income and similar

Finance income and similar remain substantially unchanged amounting to €0.1 million for the three months ended March 31, 2015 to €0.1 million for the three months ended March 31 2016.

Finance expenses and similar

The following table sets forth an analysis of finance expenses and similar for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Interest and other finance expenses (to related parties)	10.8	5.6 %	10.1	5.3 %	0.7	6.9%
Interest and other finance expenses (to third parties)	10.6	5.5 %	10.8	5.6 %	(0.2)	(1.9)%
Exchange (gains) losses realized	n.s.	n.s.	n.s	n.s.	n.s.	n.s.
Exchange (gains) losses unrealized	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Total	**21.4**	**11.1 %**	**20.9**	**10.9 %**	**0.5**	**2.4 %**

Finance expenses and similar increased by €0.5 million, or 2.4%, from €20.9 million in the three months ended March 31, 2015 to €21.4 million in the three months ended March 31, 2016, primarily due to the increase in finance expenses in shareholder liabilities, from €10.1 million for the three months ended March 31, 2015 to €10.8 million for the three months ended March 31, 2016, mainly as a results of a larger base of calculation due to the interest compounding process. Such calculation reflects the accrual of a portion of the interest cost, which is added to the outstanding debt, rather than being paid, in accordance with the underlying contracts.

Income taxes

The following table sets forth an analysis of income taxes for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Current income taxes	4.8	2.5%	2.8	1.5%	2.0	71.4 %
Deferred tax liabilities (benefit)	(1.2	(0.6)%	(1.2	(0.6)%	n.s.	n.s.
Deferred tax assets (benefit)	0.3	0.2%	0.1	n.s.	0.2	n.s.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Total	3.9	2.0%	1.7	0.9%	2.2	n.s.

Income taxes increased by €2.2 million, from €1.7 million in the three months ended March 31, 2015 to €3.9 million in the three months ended March 31, 2016 primarily as a result of higher taxable income.

Segment Information

Revenues and income

In evaluating the performance of the business, management reviews revenues and income by operating segment and revenues and income by operating segment net of revenues paid back to the supply chain. Revenues paid back to the supply chain do not have a significant effect on Group results, as they are offset by costs.

The following table sets forth an analysis of our revenues and income by operating segment and revenues and income by operating segment net of revenues paid back to the supply chain for the periods indicated.

	Three months ended March 31,				Change	
	2016		2015		2016 – 2015	
		%		%		%
	(Unaudited)		(Unaudited)			
	(In millions of Euro and percentage of total revenues and income)					
Retail Gaming						
Revenues and income net of revenues paid back to the supply chain	71.4	37.1%	70.9	37.1%	0.5	0.7%
Supply chain other revenues	39.6	20.6%	45.6	23.8%	(6.0)	(13.2)%
Total	**111.0**	**57.7 %**	**116.5**	**60.9 %**	**(5.5)**	**(4.7)%**
Lottery						
Revenues and income net of revenues paid back to the supply chain	21.0	10.9%	19.1	10.0%	1.9	9.9%
Supply chain other revenues	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Total	**21.0**	**10.9 %**	**19.1**	**10.0 %**	**1.9**	**9.9%**
Online Gaming						
Revenues and income net of revenues paid back to the supply chain	17.5	9.1%	14.0	7.3%	3.5	25.0%
Supply chain other revenues	(2.8)	(1.5)%	(1.6)	(0.8)%	(1.2)	75.0%
Total	**14.7**	**7.6 %**	**12.4**	**6.5 %**	**2.3**	**18.5%**
Payments and Services						
Revenues and income net of revenues paid back to the supply chain	26.0	13.5%	23.7	12.4%	2.3	9.7%
Supply chain other revenues	19.6	10.2%	19.4	10.1%	0.2	1.0%
Total	**45.6**	**23.7 %**	**43.1**	**22.5 %**	**2.5**	**5.8%**
Other revenues	**0.1**	**n.s.**	**0.1**	**n.s.**	**n.s.**	**n.s.**
Total	**192.4**	**100.0 %**	**191.2**	**100.0 %**	**1.2**	**0.6%**
Of which revenues and income net of revenues paid back to the supply chain	135.9	70.6%	127.7	66.8%	8.2	6.4%

Allocation of products to Segments

The following table sets forth an analysis of the allocation of revenues and income by product and service line to the four operating segments for the three months ended March 31, 2016 and 2015.

Three months ended March 31, 2016 Products/services	Operating segment					
	Retail Gaming[1]	Lottery[2]	On line Gaming[3]	Payments and Services	Other	Total
	(Unaudited)					
Slot machines and VLTs	78.2	—	—	—	—	78.2
NTNG	—	12.1	0.3	—	—	12.4
Virtual Races	7.1	—	0.4	—	—	7.5
Online games	—	—	6.2	—	—	6.2
Horse betting	2.0	—	0.2	—	—	2.2
Sports betting	0.2	—	—	—	—	0.2
Fixed odds betting	21.1	—	6.9	—	—	28.0
Services and products revenues	—	—	—	35.8	—	35.8
Point of sale revenues[4]	1.5	8.7	—	9.8		20.0
Other revenues and income[5]	0.9	0.2	0.7	—	0.1	1.9
Total	**111.0**	**21.0**	**14.7**	**45.6**	**0.1**	**192.4**

Three months ended March 31, 2015 Products/services	Operating segment					
	Retail Gaming[1]	Lottery[2]	On line Gaming[3]	Payments and Services	Other	Total
	(Unaudited)					
Slot machines and VLTs	85.7	—	—	—	—	85.7
NTNG	—	10.1	0.2	—	—	10.3
Virtual Races	7.7	—	0.4	—	—	8.1
Online games	—	—	6.6	—	—	6.6
Horse betting	2.5	—	0.3	—	—	2.8
Sports betting	0.2	—	—	—	—	0.2
Bingo	0.3	—	—	—	—	0.3
Fixed odds betting	18.2	—	4.7	—	—	22.9
Services and products revenues	—	—	—	34.3	—	34.3
Point of sale revenues[4]	1.2	8.9	—	8.8	—	18.9
Other revenues and income[5]	0.7	0.1	0.2	—	0.1	1.1
Total	**116.5**	**19.1**	**12.4**	**43.1**	**0.1**	**191.2**

(1) The Retail Gaming segment includes only the offline portion of such activities.

(2) The Lottery segment does not include the online component of NTNG revenues.

(3) The Online Gaming segment includes only the online share of revenues and income of such activities.

(4) A share of point of sale revenues directly attributable to the Retail Gaming segment is allocated to Retail Gaming with the balance being allocated between Lottery, Online Gaming and Payments and Services on the basis of a series of indicators based on revenues, income and turnover.

(5) Other revenues and income are allocated between segments on the basis of their nature.

Retail Gaming

Retail Gaming revenues and income decreased by €5.5 million, or 4.7%, from €116.5 million in the three months ended March 31, 2015 to €111.0 million in the three months ended March 31, 2016, primarily attributable to the combined effect of the following items:

- the decrease of €7.5 million, or 8.8%, in slot machines and VLTs revenue mainly due to the Italian 2016 Stability Law estimated negative impact of €14.1 million, which was only partially offset by the positive effect of €6.6 million resulting from the increase of €68.8 million, from €970.4 million for the three months ended March 2015 to €1,039.2 million for the three months ended March 31, 2016, in gaming machine turnover; and
- the increase in Fixed-odds betting income by €2.9 million, or 15.9%, from €18.2 million in the three months ended March 31, 2015 to €21.1 million in the three months ended March 31, 2016, primarily as a result of higher performance in sport betting in terms of margins compared to the three months ended March 31, 2015 due to positive seasonality fluctuations.

Lottery

Lottery revenues and income increased by €1.9 million, or 9.9%, from €19.1 million in the three months ended March 31, 2015 to €21.0 million in the three months ended March 31, 2016, mainly driven by the launch of the new SuperEnalotto game, starting from February 2016, which we believe significantly improved the appeal of the game to customer.

Online Gaming

Online Gaming revenues and income increased by €2.3 million, or 18.5%, from €12.4 million in the three months ended March 31, 2015 to €14.7 million in the three months ended March 31, 2016, primarily due to online sport betting and slot and casino games strong performance.

Payments and Services

Payments and Services revenues and income increased by €2.5 million, or 5.8%, from €43.1 million in the three months ended March 31, 2015 to €45.6 million in the three months ended March 31, 2016, primarily attributable to an increase in revenues from the payments and financial services business driven by an increase in the number of financial transactions processed, from 15.4 million in the three months ended March 31, 2015 to 16.1 million in the three months ended March 31, 2016.

In the three months ended March 31, 2016, there was a shift in product mix as compared to the three months ended March 31, 2015, as a greater proportion of revenues were generated by financial services and a smaller proportion of revenues were generated by reloads and top-ups.

EBITDA

The following table sets forth an analysis of EBITDA by operating segment for the period indicated.

	Three months ended March 31,				
	2016		2015		Change
		%		%	%
	(Unaudited)		(Unaudited)		
	(In millions of Euro and percentage of total revenues and income)				
Retail Gaming	21.3	11.1%	18.0	9.4%	19.0%
Lottery	7.3	3.8%	7.5	3.9%	(2.7)%
Online Gaming	7.2	3.7%	5.8	3.0%	24.1%
Payments and Services	17.5	9.1%	15.3	8.1%	13.6%
EBITDA from operating segments	**53.3**	**27.7%**	**46.6**	**24.4%**	**14.4%**
Items with a different classification	(0.1)	n.s.	(0.1)	(0.1)%	n.s.
EBITDA	**53.2**	**27.7%**	**46.5**	**24.3%**	**14.4%**

The following table sets forth a reconciliation of profit/(loss) to the measures used by management (EBITDA) to monitor the results of operations for the period indicated.

	Three months ended March 31,				
	2016		2015		Change %
		%		%	2016 - 2015
	(Unaudited)		(Unaudited)		
	(In millions of Euro and percentage of total revenues and income)				
Profit for the period	2.1	1.1%	(1.2)	(0.6)%	n.s.
Income taxes	3.9	2.1%	1.7	0.9%	n.s.
Finance expenses and similar	21.4	11.1%	20.9	10.9%	2.4%
Finance income and similar	(0.1)	(0.1)%	(0.1)	(0.1)%	n.s.
Amortization, depreciation and impairment losses and reversals	25.9	13.5%	25.2	13.2%	2.7%
EBITDA	**53.2**	**27.7%**	**46.5**	**24.3%**	**14.3**

	Three months ended March 31,				
	2016		2015		Change %
		%		%	2016 - 2015
	(Unaudited)		(Unaudited)		
	(In millions of Euro and percentage of total revenues and income)				
					%

EBITDA

EBITDA increased by €6.7 million, or 14.4%, from €46.5 million in the three months ended March 31, 2015 to €53.2 million in the three month ended March 31, 2016 primarily attributable to the combined effect of the following items referred to above: (i) the increase of €1.2 million, or 0.6%, in revenues and income, (ii) the decrease of €3.8 million, or 3.6%, in costs for services, and (iii) the decrease of €2.2 million, or 9.4%, in Personnel costs. As a percentage of revenues and income, EBITDA increased from 24.3% in in the three months ended March 31, 2015 to 27.7% in the three month ended March 31, 2016.

Retail Gaming

Retail Gaming EBITDA increased by €3.4 million, or 19.0%, from €17.9 million in the three months ended March 31, 2015 to €21.3 million in the three month ended March 31, 2016, due primarily to the increase in slot machines and VLTs performance and higher sport betting margin, by €8.1 million, partially offset by a decrease, by €4.8 million, due to the impact of the Italian 2016 Stability Law. As a percentage of Retail Gaming revenues and income, Retail Gaming EBITDA increased from 15.4% in the three months ended March 31, 2015 to 19.1% in the three month ended March 31, 2016.

Lottery

Lottery EBITDA decreased by €0.2 million or 2.7%, from €7.5 million in the three months ended March 31, 2015 to €7.3 million in the three month ended March 31, 2016. The decreased Lottery EBITDA was attributable to higher marketing costs for the launch of the new SuperEnalotto in February. As a percentage of Lottery revenues and income, Lottery EBITDA decreased from 39.3% in in the three months ended March 31, 2015 to 34.8% in the three month ended March 31, 2016.

Online Gaming

Online Gaming EBITDA increased by €1.4 million, or 24.1%, from €5.8 million in the three months ended March 31, 2015 to €7.2 million in the three month ended March 31, 2016, primarily due to the aforementioned higher sport betting performance. As a percentage of Online Gaming revenues and income, Online Gaming EBITDA increased from 46.8% in in the three months ended March 31, 2015 to 49.0% in the three month ended March 31, 2016.

Payments and Services

Payments and Services EBITDA increased by €2.1 million, or 13.6%, from €15.4 million in the three months ended March 31, 2015 to €17.5 million in the three month ended March 31, 2016 primarily due to the increase in Payments and Services revenue. As a percentage of Payments and Services revenues and income, Payments and Services EBITDA increased from 35.7% in in the three months ended March 31, 2015 to 38.4% in the three month ended March 31, 2016.

Years Ended December 31, 2015, 2014 and 2013

	Year ended December 31,						Change %			
	2015		2014		2013		2015 – 2014		2014 – 2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
Revenues.....	693.8	88.1 %	715.2	87.1 %	677.1	87.7 %	(21.5	(3.0)%	38.2	5.6 %
Fixed odds betting income.....	89.6	11.4 %	99.7	12.1 %	86.4	11.2 %	(10.1	(10.2)%	13.3	15.4 %
Other revenues and income.....	3.7	0.5 %	6.0	0.7 %	8.8	1.1 %	(2.3	(38.6)%	(2.8	(31.8)%
Revenues and income	**787.1**	**100 %**	**821.0**	**100 %**	**772.3**	**100 %**	**(33.9**	**(4.1)%**	**48.7**	**6.3 %**
Purchases of materials,	10.4	1.3 %	11.6	1.4 %	10.7	1.4 %	(1.2	(10.3)%	0.9	8.4 %

	Year ended December 31,						Change %			
	2015		2014		2013		2015 – 2014		2014 – 2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
consumables and merchandise										
Costs for services...		56.6		57.3		58.7		(5.4		3.8
	445.5	%	470.8	%	453.5	%	(25.3	)%	17.3	%
Lease and rent		3.1		3.1		2.7		(4.3		22.2
expenses.....	24.2	%	25.2	%	20.7	%	(1.1	)%	4.6	%
Personnel costs.....		11.5		11.3		10.5		(2.2		13.8
	90.5	%	92.5	%	81.3	%	(2.0	)%	11.2	%
Other operating		4.4		4.4		14.0		(2.5		(66.8
costs	34.9	%	35.8	%	107.9	%	(0.9	)%	(72.1	)%
Amortization, depreciation, provisions and impairment losses and		16.5		14.0		14.3		12.9		4.0
reversals	129.5	%	114.7	%	110.3	%	14.8	%	4.4	%
Net operating		**6.6**		**8.6**		**(1.6**		**(25.9**		
profit (EBIT)....	**52.1**	**%**	**70.3**	**%**	**(12.1**	**)%**	**(18.2**	**)%**	**82.4**	**n.s.**
Finance income		0.1		0.1		0.3		(58.3		(45.5
and similar.....	0.5	%	1.2	%	2.2	%	(0.7	)%	(1.0	)%
Finance expenses		10.8		11.1		11.2		(6.8		5.0
and similar.....	84.9	%	91.0	%	86.7	%	(6.2	)%	4.3	%
Share of profit/(loss) of companies accounted for using the equity								(50.0		
method	n.s	n.s.	(0.2	n.s.	n.s	n.s.	0.1	)%	(0.2	n.s.
Loss before		**(4.1**		**(2.4**		**(12.5**		**63.8**		**(79.6**
income taxes.....	**(32.3**	**)%**	**(19.7**	**)%**	**(96.0**	**)%**	**(12.0**	**%**	**76.9**	**)%**
Income taxes		0.9		(2.3		0.3				
	7.4	%	(18.7	)%	2.2	%	26.1	n.s.	(20.9	n.s.
Loss for the year...		**(5.0**		**(0.1**		**(12.8**				**(99.0**
	(39.7	**)%**	**(1.0**	**)%**	**(98.8**	**)%**	**(38.7**	**n.s.**	**97.8**	**)%**

Revenues and income

The following table sets forth an analysis of our revenues and income by product and service line for the periods indicated.

	Year ended December 31,						Change			
	2015		2014		2013		2015 – 2014		2014 – 2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
Gaming Machines		46.7		48.2		51.2		(7.2		0.1
revenues	367.7	%	396.	%	395.0	%	(28.4	)%	0.5	%
NTNG revenues.....		5.1		5.5		6.7		(11.1		(13.8
	39.9	%	44.9	%	52.	%	(5.0	)%	(7.2	)%
Virtual Races		3.8		3.6		0.0		1.7		
	30.2	%	29.7	%	0.	%	0.5	%	29.6	n.s.
Online game		3.2		2.6		2.7		16.3		4.9
revenues	25.0	%	21.5	%	20.5	%	3.5	%	1.0	%
Horse race betting		1.2		1.2		1.6		(6.0		(20.6
revenues	9.4	%	10.0	%	12.0	%	(0.6	)%	(2.6	)%
Other gaming	1.5	0.2	2.	0.3	2.5	0.3	(0.6	(28.6	(0.1	(4.5

	Year ended December 31,						Change			
	2015		2014		2013		2015 – 2014		2014 – 2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
revenues		%		%		%		)%		)%
Total gaming revenues	**473.7**	**60.2 %**	**504.3**	**61.4 %**	**483.**	**62.6 %**	**(30.6**	**(6.1)%**	**21.2**	**4.4 %**
Fixed-odds betting income.....	89.6	11.4 %	99.7	12.1 %	86.4	11.2 %	(10.1	(10.1)%	13.3	15.4 %
Total gaming and betting revenues and income	**563.3**	**71.6 %**	**604.0**	**73.6 %**	**569.5**	**73.7 %**	**(40.7**	**(6.7)%**	**34.5**	**6.1 %**
Payments and other services	137.4	17.5 %	124.	15.1 %	110.1	14.3 %	13.3	10.7 %	13.9	12.6 %
Point of sale revenues	78.4	10.0 %	78.3	9.5 %	80.9	10.5 %	0.1	0.1 %	(2.6	(3.2)%
Other revenues and income(*)	8.0	1.0 %	14.0	1.8 %	11.7	1.5 %	(6.6	(45.2)%	2.9	24.8 %
Total	**787.1**	**100.0 %**	**821.0**	**100.0 %**	**772.3**	**100.0 %**	**(33.9**	**(4.1)%**	**48.7**	**6.3 %**

(*) Includes a share of revenues not allocated to other product/service lines in addition to the income statement item "Other revenues and income".

Gaming revenues

2015 compared with 2014

Gaming revenues decreased by €30.6 million, or 6.1%, from €504.3 million for the year ended December 31, 2014 to €473.7 million for the year ended December 31, 2015, primarily attributable to a combination of the factors discussed below.

Gaming Machines revenues

Gaming Machines revenues decreased by €28.4 million, or 7.2%, from €396.1 million for the year ended December 31, 2014 to €367.7 million for the year ended December 31, 2015. In 2015 the whole national gaming machines segment, alongside the other concessionaires and network operators, was impacted by the effect of certain gaming regulatory developments—national and local—and specifically by the provisions of the Italian 2015 Stability Law, n.° 90/2014, including a non-recurring tax of €500 million to the gaming machines segment (concessionaires, managers and operators). Our portion of the Stability Law Fee for the year ended December 31, 2015 was equal to €45.8 million. Net of amounts charged back to the network, our portion reduced to €23.7 million. Gross of the Italian 2015 Stability Law, gaming machine revenues would have amounted to €391.4 million for 2015, a decrease of €4.6 million compared to 2014 following the optimization process of the slot machines installed in our network.

NTNG revenues

NTNG revenues decreased by €5.0 million, or 11.1%, from €44.9 million for the year ended December 31, 2014 to €39.9 million for the year ended December 31, 2015, primarily attributable to the lower average jackpot levels during the year and the maturity of the best known and most important product in the NTNG family, SuperEnalotto, which until 2015 continued to show the lowest payout in the reference market.

Virtual Races

Virtual Races revenues increased by €0.5 million, or 1,7%, from €29.7 million for the year ended December 31, 2014 to €30.2 million for the year ended December 31, 2015, primarily attributable to the increase in the number of points of sale in which Virtual Races have been implemented and the availability of online Virtual Races.

Online game revenues

Online games revenues increased by €3.5 million, or 16.3%, from €21.5 million for the year ended December 31, 2014 to €25.0 million for the year ended December 31, 2015, primarily attributable to solid performance registered by the slot games, which more than offset the online poker market weakness and the soft sports betting performance.

Horse race betting revenues

Horse race betting revenues decreased by €0.6 million, or 6.0%, from €10.0 million for the year ended December 31, 2014 to €9.4 million for the year ended December 31, 2015, continuing the negative trend of the previous years, consistent with the general market trend of ongoing decline in popularity of horse race betting.

2014 compared with 2013

Gaming revenues increased by €21.2 million, or 4.4%, from €483.1 million for the year ended December 31, 2013 to €504.3 million for the year ended December 31, 2014, primarily attributable to a combination of the factors discussed below.

Gaming Machines revenues

Gaming Machines revenues slightly increased by €0.5 million, or 0.1%, from €395.6 million for the year ended December 31, 2013 to €396.1 million for the year ended December 31, 2014. The increase was primarily due to a positive slot machine performance, following the optimization process of the slot machines installed in our network, which resulted into an increase of more than 2% in the average daily turnover per machine.

NTNG revenues

NTNG revenues decreased by €7.2 million, or 13.8%, from €52.1 million for the year ended December 31, 2013 to €44.9 million for the year ended December 31, 2014. The decrease in NTNG revenues was consistent with the general negative trend of the Italian NTNG market trend in the period under review. In particular, SuperEnalotto revenues decreased by €6.9 million from 2013 to 2014, primarily driven by: i) lower average jackpot levels, from €23.3 million for the year ended December 31, 2013 to €18.4 million for the year ended December 31, 2014, which had a significant negative impact on the public's propensity to play; ii) the ongoing delays in the rejuvenation of the NTNG product portfolio, which resulted in decreased amounts spent by customers; and (iii) the difficult macroeconomic conditions which adversely affected retail consumption.

Virtual Races

We launched Virtual Races in December 2013 and, accordingly, their contribution to our revenue for the year ended December 31, 2013 was not material. In 2014, Virtual Races reached significant levels of turnover, recording revenue of €29.7 million, or 5.9% of our total gaming revenues, becoming the third major contributor to our gaming revenue after Gaming Machines and NTNG.

Online game revenues

Online games revenues increased by €1.0 million or 4.9%, from €20.5 million for the year ended December 31, 2013 to €21.5 million for the year ended December 31, 2014, mainly as a result of the continuous renewal and extension of our product portfolio, which counted 324 games as of December 31, 2014, up from 264 games at the end of 2013.

Horse race betting revenues

Horse race betting revenues decreased by €2.6 million, or 20.6%, from €12.6 million for the year ended December 31, 2013 to €10.0 million for the year ended December 31, 2014, continuing the negative Group's trend of the previous years, consistent with the general market trend of ongoing decline in popularity of horse race betting.

Fixed-odds betting income

2015 compared with 2014

Fixed-odds betting income decreased by €10.1 million, or 10.1%, from €99.7 million for the year ended December 31, 2014 to €89.6 million for the year ended December 31, 2015, primarily as a result of an increase in payout levels despite the increase recorded in turnover compared to 2014.

2014 compared with 2013

Fixed-odds betting income increased by €13.3 million, or 15.4%, from €86.4 million for the year ended December 31, 2013 to €99.7 million for the year ended December 31, 2014, primarily as a result of the combined effect of higher turnover and lower average payouts.

Payments and other services

2015 compared with 2014

Payments and other services revenues increased by €13.3 million, or 10.7%, from €124.1 million for the year ended December 31, 2014 to €137.4 million for the year ended December 31, 2015. The increase was primarily driven by a positive performance of our payment and financial services, which revenue increased by €16.2 million, or 20.5%, from €78.9 million for the year ended December 31, 2014 to €95.1 million for the year ended December 31, 2015, resulting from the increase in the number of transactions processed from 49.7 million for the year ended December 31, 2014 to 60.0 million for the year ended December 31, 2015 and the increase in commission income per transaction. Payment and financial services revenue increase was partially offset by the decrease in revenues of mobile telephone top-ups and TV content cards mostly on account of the aggressive sales policies introduced by major operators in the Italian telephony and media sector.

2014 compared with 2013

Payments and other services revenues increased by €13.9 million, or 12.6%, from €110.2 million for the year ended December 31, 2013 to €124.1 million for the year ended December 31, 2014. The increase was primarily driven by a positive performance of our payment and financial services, which revenue increased by €20.6 million, or 35.4%, from €58.2 million for the year ended December 31, 2013 to €78.9 million for the year ended December 31, 2014, resulting from the increase in the number of transactions processed from 42.3 million for the year ended December 31, 2013 to 49.7 million for the year ended December 31, 2014 and the increase in commission income per transaction. Payment and financial services revenue increase was partially offset by the decrease in revenues of mobile telephone top-ups and TV content cards, on account of the aggressive sales policies introduced by major operators in the Italian telephony and media sector.

Point of sale revenues

2015 compared with 2014

Point of sale revenues remain substantially unchanged amounting to €78.3 million for the year ended December 31, 2014 and €78.4 million for the year ended December 31, 2015.

2014 compared with 2013

Point of sale revenues decreased by €2.6 million, or 3.2%, from €80.9 million for the year ended December 31, 2013 to €78.3 million for the year ended December 31, 2014, primarily driven by the rationalization of the NTNG distribution network, (with a decrease in the number of point of sale from approximately 38,400 units at the end of 2013 to approximately 36,500 units at the end of 2014), partially offset by higher fees linked to the increase in the number of "Service Only" points of sale.

Other revenues and income

2015 compared with 2014

Other revenues and income decreased by €6.6 million from €14.6 million for the year ended December 31, 2014 to €8.0 million for the year ended December 31, 2015 primarily due to the one-off indemnity of €3.0 million recorded in 2014 following the settlement agreement reached with the supplier of the Bally VLT technological platform (that was uninstalled at the end of 2014) following the supplier decision to leave the Italian market.

2014 compared with 2013

Other revenues and income increased by €2.9 million from €11.7 million for the year ended December 31, 2014 to €14.6 million for the year ended December 31, 2015 mainly due to the aforementioned one-off indemnity of €3.0 million recorded in 2014.

Purchases of materials, consumables and merchandise

2015 compared with 2014

Costs incurred for purchases of materials, consumables and merchandise decreased by €1.2 million, or 10.3%, from €11.6 million for the year ended December 31, 2014 to €10.4 million for the year ended December 31, 2015, primarily attributable to a contraction in volumes, particularly in relation to lottery products.

2014 compared with 2013

Costs incurred for purchases of materials, consumables and merchandise increased by €0.9 million, or 8.9%, from €10.7 million for the year ended December 31, 2013 to €11.6 million for the year ended December 31, 2014, primarily

due to increased purchases of game materials and sundry materials, partly offset by a decrease in inventories and spare parts purchases.

Costs for services

The following table sets forth an analysis of costs for services for the periods indicated.

	Year ended December 31,						Change			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
Sales channel Gaming	254.2	32.3 %	272.8	33.2 %	264.5	34.2 %	(18.6)	(6.8)%	8.3	3.1 %
Sales channel Payments services	76.4	9.7 %	66.6	8.1 %	66.9	8.7 %	9.8	14.7 %	(0.3)	(0.4)%
Commercial services	20.1	2.5 %	29.0	3.5 %	25.0	3.2 %	(8.9)	(30.7)%	4.0	16.0 %
Consulting	13.2	1.7 %	15.5	1.9 %	13.4	1.7 %	(2.1)	(13.7)%	1.9	14.2 %
Other service costs	81.6	10.4 %	87.1	10.6 %	83.7	10.8 %	(5.5)	(6.3)%	3.4	4.1 %
Total	**445.5**	**56.6 %**	**470.8**	**57.3 %**	**453.5**	**58.7 %**	**(25.3)**	**(5.4)%**	**17.3**	**3.8 %**

2015 compared with 2014

Costs for services decreased by €25.3 million or 5.4%, from €470.8 million for the year ended December 31, 2014 to €445.5 million for the year ended December 31, 2015, primarily attributable to the combined effect of the following items:

- Sales channel gaming costs decreased by €18.6 million or 6.8%, from €272.8 million for the year ended December 31, 2014 to €254.2 million for the year ended December 31, 2015, primarily as a result of lower fees paid to the network for collection activities due to the impact of the Italian 2015 Stability Law on gaming machines;
- Sales channel payment services costs increased by €9.8 million or 14.7%, from €66.6 million for the year ended December 31, 2014 to €76.4 million for the year ended December 31, 2015, primarily attributable to the increase in payment services transactions volumes;
- Costs for commercial services decreased by €8.9 million or 30.7%, from €29.0 million for the year ended December 31, 2014 to €20.1 million for the year ended December 31, 2015, primarily attributable to lower advertising costs incurred and lower costs for promotional events organized for the launch of new games; and
- Other service costs decreased by €5.5 million or 6.3% from €87.1 million for the year ended December 31, 2014 to €81.6 million for the year ended December 31, 2015, mainly driven by Group cost structure optimization initiatives already commenced in previous years and intensified in 2015.

2014 compared with 2013

Costs for services increased by €17.3 million or 3.8%, from €453.5 million for the year ended December 31, 2013, to €470.8 million for the year ended December 31, 2014, primarily attributable to the combined effect of the following items:

- Sales channel gaming costs increased by €8.3 million, or 3.1%, from €264.5 million for the year ended December 31, 2013 to €272.8 million for the year ended December 31, 2014, primarily as a result of higher fees paid to the network for collection activities due to the higher gaming and betting volumes registered. As a percentage of revenues and income, sales channel gaming costs decreased from 2013 to 2014, as a result of a change in product mix;
- Costs for commercial services increased by €4.0 million or 16.0%, from €25.0 million for the year ended December 31, 2013 to €29.0 million for the year ended December 31, 2014, primarily as a result of higher advertising costs incurred in connection with the launch of Virtual Races and our new totalizer game, VinciCasa; and

- Other service costs increased by €3.4 million or 4.1% from €83.7 million for the year ended December 31, 2013 to €87.1 million for the year ended December 31, 2014, primarily as a result of increased bank commissions and maintenance and telecommunication expenses in 2014 compared to 2013.

Lease and rent expenses

2015 compared with 2014

Lease and rent expenses decreased by €1.1 million, or 4.3%, from €25.3 million for the year ended December 31, 2014 to €24.2 million for the year ended December 31, 2015, mainly due to a decrease in the rent of building leases related to our directly managed points of sale which decreased by €0.5 million, or 2.6%, from €19.5 million for the year ended December 31, 2014 to €19.0 million for the year ended December 31, 2015, mainly attributable to the decrease in other than building leases reflecting the renegotiation of the contractual terms of the agreement in place with suppliers.

2014 compared with 2013

Lease and rent expenses increased by €4.6 million, or 22.2%, from €20.7 million for the year ended December 31, 2013 to €25.3 million for the year ended December 31, 2014, mainly due to an increase in the rent of building leases related to our directly managed points of sale which increased by €4.2 million, or 27.5%, from €15.3 million for the year ended December 31, 2013 to €19.5 million for the year ended December 31, 2014, reflecting the expansion of our distribution network through the opening of new Branded Channel points of sale.

Personnel costs

The following table sets forth an analysis of personnel costs for the periods indicated.

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues)									
Salaries and wages		8.0		8.0		7.4		(4.4		14.5
	62.7	%	65.(	%	57.:	%	(2.9	)%	8.:	%
Social security contributions.		2.6		2.5		2.4		(3.4		13.7
	20.1	%	20.8	%	18.:	%	(0.7	)%	2.:	%
Employee severance indemnities		0.6		0.6		0.6				8.5
	5.1	%	5.:	%	4.'	%	n.s	n.s.	0.4	%
Other personnel costs		0.3		0.1		0.1				
	2.(	%	1.(	%	1.(	%	1.(	n.s.	—	n.s.
Total		**11.5**		**11.3**		**10.5**		**(2.2**		**13.8**
	90.5	**%**	**92.5**	**%**	**81.:**	**%**	**(2.(**	**)%**	**11.:**	**%**

The following table sets forth an analysis of the average number of employees by category for the periods indicated.

	Year ended December 31,		
Average number of employees	**2015**	**2014**	**2013**
Managers	48	49	47
Management staff	125	125	118
Clerical	1,703	1,768	1,559
Laborers	70	58	54
Total	**1,946**	**2,000**	**1,778**

2015 compared with 2014

Personnel costs decreased by €2.0 million, or 2.2%, from €92.5 million for the year ended December 31, 2014 to €90.5 million for the year ended December 31, 2015, mainly attributable to a decrease in the average number of employees, from 2,000 for the year ended December 31, 2014 to 1,946 for the year ended December 31, 2015, mainly driven by the outsourcing process of call center functions completed during 2015. As a percentage of revenues and income, personnel costs increased from 11.3% for the year ended December 31, 2014 to 11.5% for the year ended December 31, 2015.

2014 compared with 2013

Personnel costs increased by €11.2 million, or 13.8%, from €81.3 million for the year ended December 31, 2013 to €92.5 million for the year ended December 31, 2014, mainly attributable to an increase in the average number of employees, from 1,778 for the year ended December 31, 2013 to 2,000 for the year ended December 31, 2014, driven by the opening of new directly managed points of sale. As a percentage of revenues and income, personnel costs increased from 10.5% for the year ended December 31, 2013 to 11.3% for the year ended December 31, 2014.

Other operating costs

The following table sets forth an analysis of other operating costs for the periods indicated.

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
Gaming concession fees	18.7	2.4 %	19.2	2.3 %	19.4	2.5 %	(0.5	(2.6)%	(0.4	(2.0)%
Other taxes and duties	2.8	0.4 %	3.2	0.4 %	2.9	0.4 %	(0.4	(12.5)%	0.3	10.3 %
Gifts and donations	1.5	0.2 %	1.4	0.2 %	1.0	0.1 %	0.1	7.1 %	0.4	40.0 %
Sundry operating costs	11.9	1.5 %	12.0	1.5 %	84.4	10.9 %	(0.1	(0.8)%	(72.4	(85.8)%
Total	**34.9**	**4.4 %**	**35.8**	**4.4 %**	**107.9**	**14.0 %**	**(0.9**	**(2.5)%**	**(72.1**	**(66.8)%**

2015 compared with 2014

Other operating costs decreased by €0.9 million, or 2.5%, from €35.8 million for the year ended December 31, 2014 to €34.9 million for the year ended December 31, 2015 mainly attributable to a decrease in other taxes and duties and in gaming concession fees in line with the reduction in turnover.

2014 compared with 2013

Other operating costs decreased by €72.1 million, or 66.8%, from €107.9 million for the year ended December 31, 2013 to €35.8 million for the year ended December 31, 2014. In 2013, sundry operating costs included approximately €76.6 million of non-recurring costs of which €73.5 million related to settlement of litigation on Gaming Machines. On November 8, 2013, the Department of the State Auditors confirmed the decree previously issued against our Group in connection with the reduced payment settlement of the gaming machines litigation, fixing the amount due at 30% (€73.5 million) of €245.0 million originally determined by the first degree ruling in February 2012. A total amount of €76.7 million was charged in the financial statements for the year ended December 31, 2013 (of which €73.5 million was accounted as sundry operating costs and €3.2 million as interest expenses). The total amount was paid in November 2013.

Amortization, depreciation, provisions and impairment losses and reversals

The following table sets forth an analysis of amortization, depreciation, provisions and impairment losses and reversals for the periods indicated.

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
Amortization of intangible assets	57.5	7.3 %	56.9	6.9 %	53.4	6.9 %	0.6	1.1 %	3.5	6.6 %
Depreciation of property, plant & equipment	40.8	5.2 %	44.0	5.4 %	42.5	5.5 %	(3.2	(7.3)%	1.5	3.5 %
Other impairment losses on fixed assets	20.0	2.5 %	0.3	n.s.	0.4	n.s.	19.8	n.s.	(0.1	(33.3)%
Impairment of receivables	12.0	1.5 %	12.4	1.5 %	9.2	1.2 %	(0.4	(3.2)%	3.2	34.8 %
Accruals and provisions	(0.8	(0.1	1.3	0.1	4.9	0.6	(2.0	n.s.	(3.7	(75.5

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
for risks and charges ..		)%		%		%				)%
Total	**129.5**	**16.5 %**	**114.7**	**14.0 %**	**110.3**	**14.3 %**	**14.8**	**12.9 %**	**4.4**	**4.0 %**

2015 compared with 2014

Amortization, depreciation, provisions and impairment losses and reversals increased by €14.8 million, or 12.9%, from €114.7 million for the year ended December 31, 2014 to €129.5 million for the year ended December 31, 2015, primarily attributable to the impairment of goodwill allocated to the "cash generating unit Agencies" for €19.5 million, which was affected by the increased taxation and other measures introduced to the games sector by the Italian 2016 Stability Law.

2014 compared with 2013

Amortization, depreciation, provisions and impairment losses and reversals increased by €4.4 million, or 4.0%, from €110.3 million for the year ended December 31, 2013 to €114.7 million for the year ended December 31, 2014, primarily attributable to an increase of impairment of receivables of €3.2 million, or 34.8%, from €9.2 million for the year ended December 31, 2013 to €12.4 million for the year ended December 31, 2014 due to increased uncollectible trade receivables as a consequence of difficult macroeconomic conditions in Italy which negatively affected some of our business partners. Such increase was only partially offset by a decrease in accruals and provisions for risks and charges of €3.7 million, or 75.5%, from €4.9 million for the year ended December 31, 2013 to €1.2 million for the year ended December 31, 2014.

Net operating profit (EBIT)

The following table sets forth the reconciliation between EBIT and Adjusted EBIT.

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
EBIT	**52.1**	6.6 %	**70.3**	8.6 %	**(12.1**	**(1.6)%**	**(18.2**	**(25.9)%**	**82.4**	**n.s.**
Cost for IPO process	—	n.a.	6.3	0.8 %	—	n.a.	(6.3	n.s.	6.3	n.a.
Impairment losses on goodwill	19.5	2.5 %	—	n.a.	—	n.a.	19.5	n.a.	—	n.a.
Settlement of gaming machine dispute	—	n.a.	—	n.a.	73.5	9.5 %	—	n.a.	(73.5	n.s.
Accrual (Release) of provision for claims with regulator	(2.4	(0.3 %)	—	n.a.	4.2	0.5 %	(2.4	n.a.	(4.2	n.s.
Other	2.4	0.3 %	(1.2	(0.1)%	4.4	0.6 %	3.6	n.s.	(5.6	n.s.
Net non-recurring expenses	**19.5**	**2.5 %**	**5.1**	**0.6 %**	**82.1**	**10.6 %**	**14.4**	**n.s.**	**(77.6**	**(93.8)%**
***Adjusted* EBIT**	**71.6**	**9.1 %**	**75.5**	**9.2 %**	**70.0**	**9.1 %**	**(3.9**	**(5.2)%**	**5.5**	**7.9 %**

2015 compared with 2014

Net operating profit (EBIT) decreased by €18.2 million, or 25.9%, from €70.3 million for the year ended December 31, 2014 to €52.1 million for the year ended December 31, 2015, primarily attributable to the combination of the factors discussed above.

Net of the non-recurring items, net operating profit (EBIT) would have amounted to €75.5 million for 2014 and €71.6 million for 2015, a decrease in net margin of 0.1% compared to 2014.

2014 compared with 2013

Net operating profit (EBIT) increased by €82.4 million, from a loss of €12.1 million for the year ended December 31, 2013 to a profit of €70.3 million for the year ended December 31, 2014, largely driven by an increase in revenues and income (from €772.3 million for the year ended December 31, 2013 to €821.0 million for the year ended December 31, 2014) and the settlement of the litigation on Gaming Machines in 2013 which resulted in extraordinary sundry operating costs in 2013 amounting to €73.5 million.

Net of the previously described non-recurring items, net operating profit (EBIT) would have amounted to €70.0 million for 2013 and €75.5 million for 2014, an increase in net margin of 0.1% compared to 2013.

Finance income and similar

2015 compared with 2014

Finance income and similar decreased by €0.7 million, or 58.3%, from €1.2 million for the year ended December 31, 2014 to €0.5 million for the year ended December 31, 2015, primarily as a result of lower average cash deposits held in 2015 compared to 2014.

2014 compared with 2013

Finance income and similar decreased by €1.0 million, or 45.5%, from €2.2 million for the year ended December 31, 2013 to €1.2 million for the year ended December 31, 2014, primarily as a result of lower average cash deposits held in 2014 compared to 2013.

Finance expenses and similar

The following table sets forth an analysis of finance expenses and similar for the periods indicated.

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues)									
Interest and other finance expenses (to related parties)	41.8	5.3 %	45.5	5.5 %	43.2	5.6 %	(3.7	(8.1)%	2.3	5.3 %
Interest and other finance expenses (to third parties)	43.0	5.5 %	45.5	5.5 %	43.6	5.6 %	(2.5	(5.5)%	1.9	4.4 %
Exchange (gains) losses realized	n.s	n.s.	0.1	n.s.	(0.1	n.s.	(0.1	n.s.	0.2	n.s.
Exchange (gains) losses unrealized	n.s	n.s.	(0.1	n.s.	—	n.s.	0.1	n.s.	(0.1	n.a.
Total	**84.8**	**10.8 %**	**91.0**	**11.1 %**	**86.7**	**11.2 %**	**(6.2**	**(6.8)%**	**4.3**	**5.0 %**

2015 compared with 2014

Finance expenses and similar decreased by €6.2 million, or 6.8%, from €91.0 million for the year ended December 31, 2014 to €84.8 million for the year ended December 31, 2015. In particular, interest and other finance expenses to third parties decreased by €2.5 million, or 5.5%, from €45.5 million for the year ended December 31, 2014 to €43.0 million for the year ended December 31, 2015, primarily attributable to the decrease of the principal after reimbursements paid in 2015. Interest and other finance expenses to related parties also decreased from €45.5 million for the year ended December 31, 2014 to €41.8 million for the year ended December 31, 2015. On December, 2014 the sole shareholder waived the right to this loan, including the interest accrued at that date.

2014 compared with 2013

Finance expenses and similar increased by €4.3 million, or 5.0%, from €86.7 million for the year ended December 31, 2013 to €91.0 million for the year ended December 31, 2014. In particular, interest and other finance expenses to third parties increased from €43.6 million for the year ended December 31, 2013 to €45.5 million for the year ended December 31, 2014 as a result of the renegotiation of the Existing Senior Credit Facilities Agreement in May 2013, which resulted in an increase in interests rates from a range between 2.25% and 3.68% for the year ended December 31, 2014 to a range between 3.5% and 4.25%. Interest and other finance expenses to related parties also increased from €43.2 million for the year ended December 31, 2013 to €45.5 million for the year ended December 31, 2014 as a result of the increased principal amount under our shareholder loan, due to the PIK feature of such loan (pursuant to which a

portion of the interest cost is capitalized and added to the outstanding debt, rather than being paid), which generated higher interest payments for the year ended December 31, 2014.

Income taxes

The following table sets forth an analysis of income taxes for the periods indicated.

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
Current income taxes	3.6	0.5 %	22.9	2.8 %	5.8	0.8 %	(19.3	(84.3)%	17.1	n.s.
Current income tax adjustments relating to prior years	0.2	n.s.	(18.0	(2.2)%	(0.3	n.s.	18.2	n.s.	(17.7	n.s.
Deferred tax assets and liabilities	0.9	0.1 %	(18.7	(2.3)%	(3.3	(0.4)%	19.6	n.s.	(15.4	n.a.
Deferred tax assets adjustments related to prior years	2.7	0.3 %	(5.0	(0.6)%	—	—	7.7	n.s.	(5.0	49.2 %
Total	**7.4**	**0.9 %**	**(18.7**	**(2.3)%**	**2.2**	**0.3 %**	**26.1**	**n.s.**	**(20.9**	**n.s.**

The following table sets forth reconciliation between theoretical tax (IRES tax at 27.5%) and tax expense for the periods indicated.

	Year ended December 31,		
	2015	2014	2013
	(In millions of Euro)		
Loss before income taxes	(32.3)	(19.7)	(96.6)
Nominal tax rate	27.50%	27.50%	27.50%
Theoretical tax using the nominal tax rate	(8.9)	(5.4)	(26.6)
Non-deductible interest expense	2.2	2.2	2.3
Benefits for partial IRAP deductibility	—	(0.7)	(0.2)
Impairment Losses on goodwill	5.4	—	—
Non-deductible sanctions	—	—	20.3
Other movements	2.6	1.5	1.5
Effective IRES tax	**1.4**	**(1.8)**	**(2.7)**
Effective IRAP tax	**2.7**	**6.1**	**5.2**
Current and deferred income tax adjustments related to prior year	**3.4**	**(23.0)**	**(0.3)**
Total effective tax expense (benefit)	**7.4**	**(18.7)**	**2.2**

2015 compared with 2014

Income taxes increased by €26.1 million, from negative €18.7 million for the year ended December 31, 2014 to €7.4 million for the year ended December 31, 2015. The reason for the significant increase in taxes is primarily due to the fact that, following the Group's payment settlement in the litigation on Gaming Machines in 2014, Sisal and Sisal Entertainment jointly filed an appeal before the Central Office of the Italian Revenue Agency through the relevant Regional Office, asking for a confirmation of the deductibility for IRES and IRAP tax purposes of the €73,500 payment to be made by the Group under the settlement, based on its nature as contractual damages owed by the Group to ADM (as opposed to a fine/penalty, in which case no deductibility would have been permitted). In May 2014, the Central Law Office confirmed the deductibility and, accordingly, an extraordinary tax income was recorded in 2014 for an amount of €23.0 million.

2014 compared with 2013

Income taxes decreased by €20.9 million from €2.2 million for the year ended December 31, 2013 to negative €18.7 million for the year ended December 31, 2014. The reason for the significant decrease in taxes is primarily due to the aforementioned extraordinary tax income recorded in 2014 following the Group's payment settlement in the litigation on Gaming Machines in 2014.

Segment Information

Revenues and income

The following table sets forth an analysis of our revenues and income by operating segment for the periods indicated.

	Year ended December 31,						Change %			
	2015		2014		2013		2015-2014		2014-2013	
		%		%		%		%		%
	(In millions of Euro and percentage of total revenues and income)									
Retail Gaming										
Revenues and income net of revenues paid back to the supply chain	280.1	35.6 %	305.2	37.2 %	250.7	32.5 %	(25.2)	(8.3)%	54.6	21.8 %
Supply chain other revenues	207.8	26.4 %	224.9	27.4 %	241.0	31.2 %	(17.1)	(7.6)%	(16.1)	(6.7)%
Total	**487.9**	**62.0 %**	**530.1**	**64.6 %**	**491.7**	**63.7 %**	**(42.2)**	**(8.0)%**	**38.5**	**7.8 %**
Lottery										
Revenues and income net of revenues paid back to the supply chain	74.3	9.4 %	84.6	10.3 %	98.2	12.7 %	(10.3)	(12.2)%	(13.7)	(13.9)%
Supply chain other revenues	0.2	0.0 %	n.s	n.s.	0.1	n.s.	0.2	n.s.	0.1	n.s.
Total	**74.5**	**9.5 %**	**84.6**	**10.3 %**	**98.4**	**12.7 %**	**(10.1)**	**(11.9)%**	**(13.8)**	**(14.0)%**
Online gaming										
Revenues and income net of revenues paid back to the supply chain	55.5	7.1 %	51.7	6.3 %	45.8	5.9 %	3.8	7.4 %	5.9	12.9 %
Supply chain other revenues	(7.7)	(1.0)%	(6.8)	(0.8)%	(6.6)	(0.8)%	(0.9)	(13.2)%	(0.8)	(13.1)%
Total	**47.8**	**6.1 %**	**44.9**	**5.5 %**	**39.8**	**5.1 %**	**2.9**	**6.5 %**	**5.1**	**12.8 %**
Payments and Services										
Revenues and income net of revenues paid back to the supply chain	98.8	12.5 %	88.2	10.7 %	74.7	9.7 %	10.7	12.1 %	13.4	17.9 %
Supply chain other revenues	75.9	9.6 %	70.2	8.5 %	66.5	8.6 %	5.8	8.3 %	3.6	5.4 %
Total	**174.7**	**22.2 %**	**158.4**	**19.3 %**	**141.2**	**18.3 %**	**16.5**	**10.4 %**	**17.2**	**12.0 %**
Other revenues	2.2	0.3 %	3.1	0.4 %	1.5	0.2 %	(0.9)	(29.0)%	1.6	n.s.
Total	**787.1**	**100.0 %**	**821.6**	**100.0 %**	**772.2**	**100.0 %**	**(33.5)**	**(4.1)%**	**48.7**	**6.3 %**
Of which revenues and income net of revenues paid back to the supply chain	508.7	64.6 %	529.7	64.5 %	469.5	60.8 %	(21.0)	(4.0)%	60.2	12.8 %

Allocation of products to Segments

The following table sets forth an analysis of the allocation of revenues and income by product and service line to the four operating segments for the years ended December 31, 2015, 2014 and 2013.

Year ended December 31, 2015 Products/services (In millions of Euro)	Retail Gaming[1]	Lottery[2]	Online Gaming[3]	Payments and Services	Other	Total
Slot machines and VLTs	367.7	—	—	—	—	367.7
NTNG	—	39.1	0.8	—	—	39.9
Online games	—	—	25.0	—	—	25.0
Horse betting	8.5	—	0.9	—	—	9.4
Sports betting	0.6	—	—	0.2	—	0.8
Bingo	0.7	—	—	—	—	0.7
Fixed odds betting	70.5	—	19.0	0.1	—	89.6
Virtual races	28.7	—	1.5	—	—	30.2
Payments and other services	—	—	—	137.4	—	137.4
Point of sale revenues[4]	7.0	34.5	—	36.9	—	78.4
Other revenues and income[5]	4.2	0.9	0.6	0.1	2.2	8.0
Total	**487.9**	**74.5**	**47.8**	**174.7**	**2.2**	**787.1**

Year ended December 31, 2014 Products/services (In millions of Euro)	Retail Gaming[1]	Lottery[2]	Online Gaming[3]	Payments and Services	Other	Total
Slot machines and VLTs	396.1	—	—	—	—	396.1
NTNG	—	44.0	0.9	—	—	44.9
Online games	—	—	21.5	—	—	21.5
Horse betting	9.1	—	0.9	—	—	10.0
Sports betting	0.7	—	—	—	—	0.7
Bingo	1.4	—	—	—	—	1.4
Fixed odds betting	80.6	—	19.1	—	—	99.7
Virtual races	27.8	—	1.9	—	—	29.7
Payments and other services	—	—	—	124.1	—	124.1
Point of sale revenues[4]	4.5	40.0	—	33.8	—	78.3
Other revenues and income[5]	10.0	0.6	0.6	0.3	3.1	14.6
Total	**530.2**	**84.6**	**44.9**	**158.2**	**3.1**	**821.0**

Year ended December 31, 2013 Products/services (In millions of Euro)	Retail Gaming[1]	Lottery[2]	Online Gaming[3]	Payments and Services	Other	Total
Slot machines and VLTs	395.6	—	—	—	—	395.6
NTNG	—	51.2	0.9	—	—	52.1
Online games	—	—	20.5	—	—	20.5
Horse betting	11.6	—	1.0	—	—	12.6
Sports betting	0.8	—	—	—	—	0.8
Bingo	1.4	—	—	—	—	1.4
Fixed odds betting	70.3	—	16.1	—	—	86.4
Virtual races	0.1	—	—	—	—	0.1
Payments and other services	—	—	—	110.2	—	110.2
Point of sale revenues[4]	3.9	46.1	—	30.9	—	80.9
Other revenues and income[5]	8.0	1.1	1.3	0.1	1.2	11.7
Total	**491.7**	**98.4**	**39.8**	**141.2**	**1.2**	**772.3**

(1) The Retail Gaming segment includes only the offline portion of such activities.

(2) The Lottery segment does not include the online component of NTNG revenues.

(3) The Online Gaming segment includes only the online share of revenues and income of such activities.

(4) A share of point of sale revenues directly attributable to the Retail Gaming segment is allocated to Retail Gaming with the balance being allocated between Lottery, Online Gaming and Payments and Services on the basis of a series of indicators based on revenues, income and turnover.

(5) Other revenues and income are allocated between segments on the basis of their nature.

2015 compared with 2014

Retail Gaming

Retail Gaming revenues and income decreased by €42.3 million, or 8.0%, from €530.2 million for the year ended December 31, 2014 to €487.9 million for the year ended December 31, 2015, primarily attributable to a combination of the following items:

- a decrease in Gaming Machines revenues of €28.4 million, or 7.2%, from €396.1 million for the year ended December 31, 2014 to €367.7 million for the year ended December 31, 2015. In 2015 the gaming machines segment the Group, alongside the other concessionaires and network operators, had to absorb the impact of gaming regulatory developments—national and local—and particularly in the provisions of the Italian 2015 Stability Law; and
- a decrease in offline fixed-odds betting income of €10.1 million, or 12.5%, from €80.6 million for the year ended December 31, 2014 to €70.5 million for the year ended December 31, 2015 primarily as a result of an increase in payout levels despite the increase recorded in turnover compared to 2014.

Lottery

Lottery revenues and income decreased by €10.1 million, or 11.9%, from €84.6 million for the year ended December 31, 2014 to €74.5 million for the year ended December 31, 2015, consistent with the general negative trend of the Italian NTNG market trend in the period under review. The decrease in revenues and income from the Lottery segment was due to i) lower average jackpot levels, from €18.4 million for the year ended December 31, 2014 to €14.2 million for the year ended December 31, 2015, which had a significant negative impact on the public's propensity to play; ii) the ongoing delays in the rejuvenation of the NTNG product portfolio, which resulted in decreased amounts spent by customers; and (iii) the difficult macroeconomic conditions which adversely affected retail consumption.

Online Gaming

Online Gaming revenues and income increased by €2.9 million, or 6.5%, from €44.9 million for the year ended December 31, 2014 to €47.8 million for the year ended December 31, 2015, primarily attributable to the continuous renewal and extension of our product portfolio, which counted 376 games as of December 31, 2015, up from 324 games at the end of 2014, and the further investments we made in marketing activities for the year ended December 31, 2015 which brought approximately 8,700 new online clients compared to 2014. The increase in Online Gaming revenue was primarily driven by the positive performance of online sports betting and slot machines, as well as Virtual Races, which more than offset the decrease in cash and tournament poker revenues, resulting from a decrease in public demand for these products.

Payments and Services

Payments and Services revenues and income increased by €16.5 million, or 10.4%, from €158.2 million for the year ended December 31, 2014 to €174.7 million for the year ended December 31, 2015, primarily driven by a positive performance of our payment and financial services, which revenue increased by €13.3 million, or 10.7%, from €124.1 million for the year ended December 31, 2014 to €137.4 million for the year ended December 31, 2015, resulting from the increase in the number of transactions processed from 49.7 million for the year ended December 31, 2014 to 60.0 million for the year ended December 31, 2015. Payment and financial services revenue increase was partially offset by the decrease in revenues of mobile telephone top-ups and TV content cards, on account of the aggressive sales policies introduced by major operators in the Italian telephony and media sector.

2014 compared with 2013

Retail Gaming

Retail Gaming revenues and income increased by €38.5 million, or 7.8%, from €491.7 million for the year ended December 31, 2013 to €530.2 million for the year ended December 31, 2014, primarily attributable to a combination of the following items:

- a €10.3 million, or 14.7%, increase in offline fixed-odds betting income from €70.3 million for the year ended December 31, 2013 to €80.6 million for the year ended December 31, 2014 due to increased turnover; and
- the excellent performance of Virtual Races we launched in December 2013, that in 2014 reached significant levels of turnover, recording revenue of €27.8 million, or 5.2% of our total Retail Gaming revenues.

Lottery

Lottery revenues and income decreased by €13.8 million, or 14.0%, from €98.4 million in 2013 to €84.6 million for the year ended December 31, 2014, consistent with the general negative trend of the Italian NTNG market trend in the period

under review. The decrease in revenues and income from the Lottery segment was due to i) lower average jackpot levels, from €23.3 million in 2013 to €18.4 million for the year ended December 31, 2014, which had a significant negative impact on the public's propensity to play; ii) the ongoing delays in the rejuvenation of the NTNG product portfolio, which resulted in decreased amounts spent by customers; and (iii) the difficult macroeconomic conditions which adversely affected retail consumption.

Online Gaming

Online Gaming revenues and income increased by €5.1 million, or 12.8%, from €39.8 million for the year ended December 31, 2013 to €44.9 million for the year ended December 31, 2014, primarily attributable to the continuous renewal and extension of our product portfolio, which counted 324 games as of December 31, 2014, up from 264 games at the end of 2013, and the investments we made in marketing activities in 2014 which increased the number of our online clients to 87,025 in 2014 compared to 86,108 2013. The increase in Online Gaming revenue was primarily driven by the positive performance of online sports betting and slot machines, as well as Virtual Races which we launched in December 2013, which more than offset the decrease in cash and tournament poker revenues, resulting from a decrease in public demand for these products.

Payments and Services

Payments and Services revenues and income increased by €17.0 million, or 12.0%, from €141.2 million for the year ended December 31, 2013 to €158.2 million for the year ended December 31, 2014, primarily driven by a positive performance of our payment and financial services, as a result of the increase in the number of transactions processed from 42.3 million for the year ended December 31, 2013 to 49.7 million for the year ended December 31, 2014 and the increase in commission income per transaction. Payment and financial services revenue increase was partially offset by the decrease in revenues of mobile telephone top-ups and TV content cards, on account of the aggressive sales policies introduced by major operators in the Italian telephony and media sector.

EBITDA and Adjusted EBITDA

The following table sets forth an analysis of EBITDA by operating segment for the periods indicated.

	Year ended December 31,						Change	
	2015		2014		2013		2015-2014	2014-2013
		%		%		%	%	%
	(In millions of Euro and percentage of total revenues and income)							
Retail Gaming	75.4	9.6 %	90.5	11.0 %	80.8	10.5 %	(16.7)%	12.0 %
Lottery	27.8	3.5 %	27.8	3.4 %	36.7	4.8 %	n.s.	(24.3)%
Online Gaming	21.8	2.8 %	18.8	2.3 %	13.8	1.8 %	16.0 %	36.2 %
Payments and Services	59.0	7.5 %	53.4	6.5 %	45.9	5.9 %	10.5 %	16.3 %
EBITDA from operating segments	**184.0**	**23.4 %**	**190.5**	**23.2 %**	**177.2**	**22.9 %**	**(3.4)%**	**7.5 %**
Cost for IPO process	—	n.a.	(6.3)	(0.8)%	—	n.a.	n.a.	n.a.
Settlement of gaming machine dispute	—	n.a.	—	n.a.	(73.5)	(9.5)%	n.a.	n.s.
Accrual (Release) of provision for claims with regulator	2.4	0.3 %	—	n.a.	(4.2)	(0.5)%	n.a.	n.s.
Items with a different classification	(1.7)	(0.2)%	(1.7)	(0.2)%	(1.7)	(0.2)%	n.s.	n.s.
Other	(2.4)	n.s.	1.2	n.s.	(4.4)	(0.6)%	n.s.	n.s.
EBITDA	**182.3**	**23.2 %**	**183.7**	**22.4 %**	**93.4**	**12.1 %**	**(0.8)%**	**96.7 %**

The following table sets forth a reconciliation of profit/(loss) to the measures used by management (EBITDA and Adjusted EBITDA) to monitor the results of operations for the periods indicated.

	Year ended December 31,						Change	
	2015		2014		2013		2015-2014	2014-2013
		%		%		%	%	%
	(In millions of Euro and percentage of total revenues and income)							
Loss for the year	(39.7	(5.0)%	(1.(	(0.1)%	(98.8	(12.8)%	n.s.	(99.0)%
Income taxes	7.4	0.9 %	(18.7	(2.3)%	2.2	0.3 %	n.s.	n.s.
Share of profit/ (loss) of companies accounting for equity methods	0.1	0.0 %	0.2	0.0 %	n.s	(0.0)%	(72.5)%	n.s.
Finance expenses and similar	84.9	10.8 %	91.(	11.1 %	86.7	11.2 %	(6.8)%	4.9 %
Finance income and similar	(0.5	(0.1)%	(1.2	(0.1)%	(2.2	(0.3)%	(58.2)%	(46.2)%
Amortization, depreciation and impairment losses and reversals[4]	130.2	16.5 %	113.4	13.8 %	105.5	13.7 %	14.8 %	7.5 %
EBITDA	**182.3**	**23.2 %**	**183.7**	**22.4 %**	**93.4**	**12.1 %**	**(0.8)%**	**97 %**
Cost for IPO process	—	n.a.	6.3	(0.8)%	—	n.a.	n.a.	n.s.
Settlement of gaming machine dispute	—	n.a.	—	n.a.	73.5	9.5 %	n.a.	n.s.
Accrual (Release) of provision for claims with regulator	(2.4	(0.3 %)	—	n.a.	4.2	0.5 %	n.a.	n.a.
Other	2.4	0.3 %	(1,2	(0.2)%	4.4	0.6 %	n.s.	n.s.
Adjusted EBITDA	**182.3**	**23.2 %**	**188.8**	**23.0 %**	**175.5**	**22.7 %**	**(3.4)%**	**7.6 %**

EBITDA and adjusted EBITDA

2015 compared with 2014

EBITDA decreased by €1.4 million, or 0.8%, from €183.7 million in 2014 to €182.3 million in 2015, primarily attributable to the decrease in finance income and similar. As a percentage of revenues and income, EBITDA increased from 22.4% in 2014 to 23.2% in 2015, primarily due to the decrease in revenues and income by 3.4%. Adjusted EBITDA decreased by €6.5 million, from €188.8 million in 2014 to €182.3 million in 2015. Adjusted EBITDA Margin increased from 23.0% in 2014 to 23.2% in 2015.

2014 compared with 2013

EBITDA increased by €90.3 million, or 96.6%, from €93.4 million in 2013 to €183.7 million in 2014, largely attributable to the decrease in loss for the year from €98.8 million for the year ended December 31, 2013 to €1.0 million for the year ended December 31, 2014. As a percentage of revenues and income, EBITDA increased from 12.1% in 2013 to 22.4% in 2014, primarily due to the payment settlement of the Gaming Machines litigation for €73.5 million occurred in 2013. Adjusted EBITDA increased by €13.3 million, from €175.5 million in 2013 to €188.8 million in 2014. Adjusted EBITDA Margin increased from 22.7% in 2013 to 23.0% in 2014.

Retail Gaming

2015 compared with 2014

Retail Gaming EBITDA decreased by €15.1 million, or 16.7%, from €90.5 million in 2014 to €75.4 million in 2015, due primarily to the negative impact of the Italian 2015 Stability Law and the decrease in sport betting margin in 2015 compared to 2014. As a percentage of Retail Gaming revenues and income, Retail Gaming EBITDA decreased from 17.1% in 2014 to 15.5% in 2015, due to the factors discussed above.

2014 compared with 2013

Retail Gaming EBITDA increased by €9.7 million, or 12.0%, from €80.8 million in 2013 to €90.5 million in 2014, due primarily to the increase in Retail Gaming revenues from €491.7 million for the year ended December 31, 2014 to €530.2 million and for the year ended December 31, 2015, mainly attributable to the strong performance of Virtual

Races, launched in December 2013, and solid sport-betting margin. As a percentage of Retail Gaming revenues and income, Retail Gaming EBITDA increased from 16.4% in 2013 to 17.1% in 2014.

Lottery

2015 compared with 2014

Lottery EBITDA remained substantially unchanged, amounting to €27.8 million in 2014 and €27.8 million in 2015. As a percentage of Lottery revenues and income, Lottery EBITDA increased from 32.8% in 2014 to 37.3% in 2015, mainly due to a decrease in segment costs that offset the decrease in revenue.

2014 compared with 2013

Lottery EBITDA decreased by €8.9 million or 24.3%, from €36.7 million in 2013 to €27.8 million in 2014. The decreased Lottery EBITDA was attributable to the combined effect of decrease in revenue and increase in marketing expenses to support new products launches. As a percentage of Lottery revenues and income, Lottery EBITDA decreased from 37.3% in 2013 to 32.8% in 2014.

Online Gaming

2015 compared with 2014

Online Gaming EBITDA increased by €3.0 million, or 16.0%, from €18.8 million in 2014 to €21.8 million in 2015 mainly driven by the solid performance of the slot games, which more than offset the online poker market weakness and the soft sports betting performance, due to a lower percentage margin compared to the prior year, despite the consistent turnover managed. As a percentage of Online Gaming revenues and income, Online Gaming EBITDA increased from 42.0% in 2014 to 45.6% in 2015, due to revenues growth and operating costs in line with the prior year.

2014 compared with 2013

Online Gaming EBITDA increased by €5.0 million, or 36.2%, from €13.8 million in 2013 to €18.8 million in 2014 due primarily to higher marketing costs recorded in 2014 which resulted in an increase in the number of our new online clients from 86,108 in 2013 to 87,025 2014. As a percentage of Online Gaming revenues and income, Online Gaming EBITDA increased from 34.7% in 2013 to 42.0% in 2014.

Payments and Services

2015 compared with 2014

Payments and Services EBITDA increased by €5.6 million, or 10.5%, from €53.4 million in 2014 to €59.0 million in 2015 mainly driven by revenues growth, with particular regard to payment and financial service segment.

2014 compared with 2013

Payments and Services EBITDA increased by €7.5 million, or 16.3%, from €45.9 million in 2013 to €53.4 million in 2014. As a percentage of Payments and Services revenues and income, Payments and Services EBITDA increased from 32.5% in 2013 to 33.8% in 2014.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and to a lesser extent, cash proceeds from financing activities. Cash flows from our financing activities have in the past included, among others, borrowings under our Existing Senior Credit Facilities Agreement, the Loans from related parties and the 2013 Senior Secured Notes. Following the Transactions, we anticipate that our primary sources of liquidity will be cash flow from operations and drawings under the New Revolving Credit Facility. The proceeds from the Notes offered hereby and the Equity Contribution will be used to fund the purchase price for the Acquisition, consummate the related Transactions and pay related fees and expenses. Our liquidity requirements arise primarily from our need to meet debt service requirements and to fund our capital expenditure. We also require liquidity to fund any acquisitions and associated costs. Our cash flows generated from operating activities together with our cash flows generated from financing activities have historically been sufficient to meet our liquidity requirements. We believe that our cash flow from operations, cash on hand and the availability of borrowings under the New Revolving Credit Facility will be sufficient to fund our operating capital expenditures and debt service for at least the next twelve months. See "*Description of Certain Financing Arrangements—New Revolving Credit Facility*". Further, we believe that our current liability position will be sufficient to meet our needs, subject to a variety of factors, including (i) our future ability to generate cash flows from our operations, (ii) the level of our outstanding indebtedness and prevailing interest which affects our debt service requirements with respect to such indebtedness, (iii) our ability to continue to borrow funds from financial institutions,(iv) our capital expenditure requirements, (v) and general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled "*Risk Factors*".

Our working capital fluctuates according to the amount of unpaid winnings. However, cash required to pay such winnings is generally held in bank accounts which are considered as "restricted cash" on our statement of financial position as we cannot use the cash for any other purposes. Therefore, although movements in unpaid winnings affect our working capital, we believe that such fluctuations do not impact our liquidity requirements.

Our unrestricted cash and the principal amount of our third party debt as of March 31, 2016, after giving pro forma effect to the Transactions as described under "*Use of Proceeds*" would have been €5.6 million and €728.2 million, respectively.

Net working capital

Our business operations generally are not working capital intensive; we experience significant changes in net working capital from period to period mainly due to the significant fluctuations in payables for winnings which are generally fully offset by movements in our restricted bank accounts. Our working capital is structurally negative as we collect cash from our distribution network on a regular and frequent basis (generally once or twice a week via direct debit) while we pay our suppliers on standard credit terms (on average between 90 and 120 days). Our working capital and cash balances at the end of each period are influenced by the day of the week on which the period is closed. See the following paragraph "*Cash flows*" for further information.

Cash Flows

Three Months Ended March 31, 2016 and 2015

The following table sets forth a summary of our cash flows for the periods indicated.

	Three months ended March 31,	
	2016	2015
	(Unaudited) (In millions of Euro)	
Net cash generated from operating activities	45.8	25.0
Net cash used in investing activities	(4.8)	(9.0)
Net cash used in financing activities	(19.5)	(19.4)
Net increase (decrease) in cash and cash equivalents	**21.5**	**(3.4)**

Operating activities

The following table sets forth an analysis of cash flows generated from operating activities for the periods indicated.

	Three months ended March 31,	
	2016	2015
	(Unaudited) (In millions of Euro)	
Profit before income taxes	**6.0**	**0.5**
Amortization and depreciation	22.4	23.3
Impairment of current receivables	3.5	1.9
Provisions for risks and charges, accruals and employee severance indemnities	0.1	0.2
Finance (income) expenses	21.3	20.8
Net cash generated from operating activities before changes in working capital	**53.3**	**46.7**
(Increase) decrease in trade receivables	(4.4)	(3.4)
(Increase) decrease in inventories	3.4	1.2
(Decrease) increase in trade payables	(11.0)	(12.7)
Change in other assets and liabilities	4.5	(6.6)
Taxes (paid) / reimbursed	—	(0.2)
Net cash generated from/(used in) operating activities	**45.8**	**25.0**

Net cash from operating activities increased by €20.8 million, from net cash generated of €25.0 million for the three months ended March 31, 2015, to net cash generated of €45.8 million for the three months ended March 31, 2016. The movement was primarily attributable to the combined effect of:

- an increase of €6.6 million, from €46.7 million in the three months ended March 31, 2015 to €53.3 million in the three months ended March 31, 2016, in net cash generated from operating activities before changes in working capital. Such increase was consistent with the trend of EBITDA which increased by €6.7 million in the three months ended March 31, 2016, compared to the three months ended March 31, 2015. See ''Results of Operations'' for further details; and

- an increase of €11.1 million in change in other assets and liabilities mainly as a result of a positive cut off impact on the restricted cash accounts funding in the three months ended March 31, 2016 compared to the same period in 2015.

Investing activities

The following table sets forth an analysis of cash flows used in investing activities during the periods indicated.

	Three months ended March 31,	
	2016	2015
	(Unaudited) (In millions of Euro)	
(Increase) decrease in property, plant and equipment	(2.6)	(5.7)
(Increase) decrease in intangible assets	(1.8)	(2.9)
Acquisitions (net of cash)	(0.4)	(0.4)
Net cash used in investing activities	**(4.8)**	**(9.0)**

Net cash used in investing activities decreased by €4.2 million, from €9.0 million for the three months ended March 31, 2015, to €4.8 million for the three months ended March 31, 2016. The movement was mainly attributable to lower investments in property, plant and equipment, from €5.7 million for the year ended March 31, 2015 to €2.6 million for the year ended March 31, 2016.

Cash flow used in investment activities in the three months ended March 31, 2016 included:

- investments of €2.6 million in property, plant and equipment of which (i) €2.2 million for the purchase of gaming machines and accessories, services terminals, POS and other equipment and (iii) €0.2 million for furniture and refurbishment of our directly managed point of sale; and
- investments of €1.8 million in intangible assets of which €1.6 million related to the purchase and development of software for the management of business operation and €0.1 million for gaming concessions.

See also "*Capital Expenditures*".

Financing activities

The following table sets forth an analysis of cash flows used in financing activities for the periods indicated.

	Three months ended March 31,	
	2016	2015
	(Unaudited) (In millions of Euro)	
Increase (decrease) in medium-/long-term debt	(0.2)	(0.2)
Increase (decrease) in lease payables	(0.3)	(0.3)
Net interest paid	(19.0)	(18.9)
Net cash generated by/(used in) financing activities	**(19.5)**	**(19.4)**

Net cash used by financing activities remains substantially unchanged, amounting to €19.4 million net for the three months ended March 31, 2015, and to €19.5 million for the three months ended March 31, 2016. The cash used in financing activities for both the three months ended March 31, 2016 and March 31, 2015 is mainly related to net interest paid, respectively €18.9 million for the three months ended March 31, 2015 and €19.0 million for the three months ended March 31, 2016.

The difference between net finance costs as derived from the income statement and net interest paid for the periods indicated above is primarily attributable to interest on certain loans from related parties which, in accordance with the underlying contracts were added to the outstanding debt, rather than being paid during the period.

Years Ended December 31, 2015, 2014 and 2013

The table below sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,		
	2015	2014	2013
	(In millions of Euro)		
Net cash generated from operating activities	138.7	150.1	88.5
Net cash used in investing activities	(42.3)	(62.5)	(81.3)
Net cash used in financing activities	(70.3)	(78.2)	(55.8)
Net increase (decrease) in cash and cash equivalents	**26.1**	**9.4**	**(48.6)**

Operating activities

The following table sets forth an analysis of cash flows generated from operating activities for the periods indicated.

	Year ended December 31,		
	2015	2014	2013
	(In millions of Euro)		
Loss before income taxes	**(32.3)**	**(19.7)**	**(96.6)**
Amortization and depreciation	98.3	100.9	95.9
Impairment of current receivables	12.0	12.4	9.2
Impairment of property, plant and equipment and intangible assets	20.0	0.2	0.3
Provisions for risks and charges, accruals and employee severance indemnities	(0.5)	1.0	5.8
Impairment of investments	0.1	0.2	n.s.
Finance (income) expenses	84.3	89.8	84.5
Net cash generated from operating activities before changes in working capital, interest and taxes	**181.9**	**184.8**	**99.1**
(Increase) decrease in trade receivables	(21.1)	(25.0)	19.4
(Increase) decrease in inventories	(2.3)	n.s.	0.9
Increase (decrease) in trade payables	(13.1)	(0.6)	(15.9)
Change in other assets and liabilities	(0.4)	(7.5)	(12.0)
Taxes (paid)/reimbursed	(6.3)	(1.6)	(3.0)
Net cash generated from operating activities	**138.7**	**150.1**	**88.5**

2015 compared with 2014

Cash generated by operating activities decreased by €11.4 million, from €150.1 million for the year ended December 31, 2014 to €138.7 million for the year ended December 31, 2015. The movement in net cash from operating activities was primarily attributable to the combined effect of:

- a decrease of €2.9 million, from €184.8 million for the year ended December 31, 2014 to €181.9 million for the year ended 2015, in net cash generated from operating activities before changes in working capital, interests and taxes principally due to the increase in loss for the year from €19.7 million for the year ended December 31, 2014 to €32.3 million for the year ended December 31, 2015 offset by impairment of intangible assets performed in 2015; and
- a decrease of €8.6 million in cash generated from net movement in trade receivables and trade payables which decreased from negative €25.6 million for the year ended December 31, 2014 to negative €34.2 million for the year ended December 31, 2015 primarily driven by a decrease in trade payables due to a reduction in the cost base.

Tax payments increased from €1.6 million for the year ended December 31, 2014 to €6.3 million for the year ended December 31, 2015, principally due to higher deductible costs recorded in previous years.

2014 compared with 2013

Cash generated by operating activities increased by €61.6 million, from €88.5 million for the year ended December 31, 2013 to €150.1 million for the year ended December 31, 2014. The movement in net cash from operating activities was primarily attributable to the combined effect of:

- an increase of €85.7 million in net cash generated from operating activities before changes in working capital, interest and taxes from €99.1 million for the year ended December 31, 2013 to €184.8 million for the year ended December 31, 2014. Such increase was consistent with the trend of EBITDA, which increased by €90.3 million for the year ended December 31, 2014 compared to 2013, mainly due to the negative impact on 2013 results of non-recurring items related to settlement of litigation on Gaming Machines (€73.5 million); and

- a decrease of €29.1 million in cash generated from net movement in trade receivables and trade payables which decreased from positive €3.5 million for the year ended December 31, 2013 to negative €25.6 million for the year ended December 31, 2014, mainly driven by a negative cut off impact on trade receivables and by a decrease in trade payables due to a reduction in the cost base.

Tax payments decreased from €3.0 million for the year ended December 31, 2013 to €1.6 million for the year ended December 31, 2014, principally due to a lower deductible costs impact in 2013.

Investing activities

The following table sets forth a summary of cash flows used in investing activities for the period indicated.

	Year ended December 31,		
	2015	2014	2013
	(In millions of Euro)		
(Increase) decrease in property, plant and equipment	(24.6)	(33.1)	(30.1)
(Increase) decrease in intangible assets	(13.3)	(13.4)	(30.4)
(Increase) decrease in investments	—	(0.2)	—
Acquisitions (net of cash)	(4.4)	(15.8)	(8.8)
(Increase) decrease in other non-current assets	—	—	(12.0)
Net cash used in investing activities	**(42.3)**	**(62.5)**	**(81.3)**

During the period under review, we have made acquisitions to expand our point of sale network (both horse racing and sports betting), increase the number of Gaming Machines managed and achieve a higher degree of vertical integration through the acquisition of a gaming cabinet manufacturer.

2015 compared with 2014

Net cash used in investment activities decreased by €20.2 million, from €62.5 million for the year ended December 31, 2014 to €42.3 million for the year ended December 31, 2015. In 2015, net cash used in investing activities included:

- Investments of €24.6 million in property, plant and equipment, including €10.7 million for the purchase of new "Series 6A slot machines", access points (PDAs) and change machines, €3.5 million for the purchase of gaming and services equipment such as the Big Touch and Microlot terminals, €5.5 million for network hardware as well as display equipment for point of sale and €5.3 million for plant, furniture and restructuring work of the points of sale; and
- Investments of €13.3 million in intangible assets and concessions, including €12.0 million for the purchase and development of software for the management of business operation and €1.2 million for new concessions.

2014 compared with 2013

Net cash used in investment activities decreased by €18.8 million, from €81.3 million for the year ended December 31, 2013 to €62.5 million for the year ended December 31, 2014. In 2014, net cash used in investing activities included:

- investments of €33.1 million in property plant and equipment, and regard mainly investment in new "Series 6A" slot machines, access points (PdAs) and change machines of around €9.4 million; investments in gaming and services equipment such as the Big Touch and Microlot terminals and more than 14,000 POS of approximately €7.1 million; investments in network hardware as well as display equipment for points of sale of approximately €7.4 million; investments in plant, furniture and restructuring work of the point of sale of more than €7.5 million;
- investments of €13.4 million in intangible assets and concessions of which including €12.0 million for the purchase and development of software for the management of business operation, €1.0 million for new concessions; and
- payment for the year ended 2013 of a guarantee deposit of €12.0 million to an insurance company which became the guarantor in favor of AAMS for the installment payments for the penalty for failure to reach the guaranteed minimum on NTNG games.

Financing activities

The following table sets forth a summary cash flows used in financing activities for the periods indicated.

	Year ended December 31,		
	2015	2014	2013
	(In millions of Euro)		
New medium-/long-term debt	1.9	0.8	275.7
Increase (decrease) in medium-/long-term debt	(15.0)	(13.8)	(271.3)
Increase (decrease) in lease payables	(1.3)	(1.5)	(0.6)
Increase (decrease) in short-term debt	—	(0.3)	(3.6)
Increase (decrease) share capital non-controlling interests	—	—	—
Dividends paid to minority interests	—	—	0.6
Net interest paid	(55.9)	(63.4)	(56.6)
Net cash used in financing activities	**(70.3)**	**(78.2)**	**(55.8)**

2015 compared with 2014

Net cash used in financing activities decreased by €7.9 million, from €78.2 million for the year ended December 31, 2014, to €70.3 million for the year ended December 31, 2015. Cash flows absorbed by financing activities for the year ended December 31, 2015 primarily related to:

- a repayments of €12.6 million under the Existing Senior Credit Facilities Agreement; and
- net interest paid decreased from €63.4 million for the year ended December 31, 2014 to €55.9 million for the year ended December 31, 2015, mainly due to a decrease of the outstanding amount to be repaid of the Existing Senior Credit Facilities Agreement and to a decrease in the spread applied.

2014 compared with 2013

Net cash used in financing activities increased by €22.4 million, from €55.8 million for the year ended December 31, 2013, to €78.2 million for the year ended December 31, 2014. Cash flows absorbed by financing activities for the year ended December 31, 2014 primarily related to:

- a repayments of €12.6 million under the Existing Senior Credit Facilities Agreement; and
- net interest paid increased from €56.6 million for the year ended December 31, 2013 to €63.4 million for the year ended December 31, 2014, mainly due to the renegotiations, in May 2013, of certain conditions of the Existing Senior Credit Facilities Agreement, following a revision of the interest spread applied, which generated higher interest payments for the year ended December 31, 2014.

Capital Expenditures

Our capital expenditures consist primarily of expenditures towards expansion, modernization and upgrading of our infrastructure, as well as in connection with the purchase or renewal of our gaming rights and concessions. The following table sets forth our capital expenditures for the periods indicated as derived from our cash flow statement.

	Three months ended March 31,	Year ended December 31,		
	2016	2015	2014	2013
	(Unaudited)	(In millions of Euro)		
Property, plant and equipment	2.6	25.2	33.5	50.4
Intangible assets	1.8	13.3	13.5	33.7
Total	**4.4**	**38.5**	**47.0**	**84.1**

Our capital expenditures normally include (i) investment in terminals, gaming machine terminals and other electronic equipment, including payment terminals, both for Branded Channel points of sale and for distribution through the Affiliated Channel; (ii) investment in IT infrastructure, both to manage terminals and monitor cash collection; (iii) investment in servers and software for the management of online activities and in particular, fraud prevention; (iv) investment in fixtures, fittings and refurbishment of our directly managed point of sale of sale; (v) acquisition of rights and concessions required to manage the various types of games; and (vi) investment in software for the management of business operations.

Property, plant and equipment

The following table sets forth an analysis of our additions to property, plant and equipment for the periods indicated.

	Three months ended March 31,	Year ended December 31,		
	2016	2015	2014	2013
	(Unaudited)			
	(In millions of Euro)			
Land and buildings	0.1	1.2	2.6	14.3
Plant and machinery	0.1	2.4	2.0	2.3
Industrial and commercial equipment	2.2	19.5	25.4	28.4
Other assets	0.2	2.1	3.5	4.5
Construction in progress	—	—	—	0.9
Total	**2.6**	**25.2**	**33.5**	**50.4**

Intangible assets

The following table sets forth an analysis of our investments in intangible assets for the periods indicated.

	Three months ended March 31,	Year ended December 31,		
	2016	2015	2014	2013
	(Unaudited)			
	(In millions of Euro)			
Patents and utilization rights, copyrights and similar rights	1.6	10.0	9.9	9.1
Concessions, licenses, trademarks and similar rights	0.2	3.2	3.6	24.6
Other intangible assets	n.s.	0.1	—	—
Total	**1.8**	**13.3**	**13.5**	**33.7**

Our capital expenditures for the year ended December 31, 2015 included, among other things:

- as to property, plant and equipment, €10.7 million for the purchase of new "Series 6A slot machines", access points (PDAs) and change machines, €3.5 million for the purchase of gaming and services equipment such as the Big Touch and Microlot terminals, €5.5 million for network hardware as well as display equipment for point of sale and €5.3 million for plant, furniture and restructuring work of the points of sale; and
- as to intangible assets, €12.0 million for the purchase and development of software for the management of business operation, €1.2 million for new concessions.

Our capital expenditures for the year ended December 31, 2014 included, among other things, investments equal to:

- as to property, plant and equipment, €9.4 million for the purchase of new slot machines, access points and change machines, €7.1 million for the purchase of new-generation gaming and services equipment, including the Big Touch and Microlot terminals, as well as more than 14,000 point-of-sale terminals, €7.4 million for the purchase of network hardware, as well as display equipment for our points of sale, €7.5 million for plants, furniture and refurbishment of our points of sale; and
- as to intangible assets, €12.0 million for the purchase and development of software for the management of our business operations, and €1.0 million for the acquisition of new concessions.

Our capital expenditures for the year ended December 31, 2013 included, among other things:

- as to property, plant and equipment, €9.3 million for the purchase of new slot machines, access points and change machines, €5.1 million for the purchase of new-generation gaming and services equipment, including the Big Touch and Microlot terminals, as well as more than 28,000 point-of-sale terminals, €6.0 million for the purchase of network hardware, as well as display equipment for our points of sale, €9.0 million for plants, furniture and refurbishment of our points of sale, approximately €18.0 million in aggregate of property, plant and equipment acquired by the Group in business combinations; and
- as to intangible assets, €14.0 million for the purchase and development of software for the management of our business operations, €16.4 million for new concessions (of which €9.0 million relating to 600 new VLT concessions and €6.6 million relating to 225 concessions for gaming and betting), and €3.0 million of intangible assets (including gaming software) acquired by the Group through business combinations.

As of March 31, 2016, our committed capital expenditure for 2016 was approximately €5.6 million. We expect to finance our capital expenditure mainly from the cash generated by our operating and financing activities, and to a small extent, where applicable, from finance leases.

Capital Resources

Our main sources of financing in the past have been the Existing Senior Credit Facilities Agreement, the Loans from related parties, the 2013 Senior Secured Notes and local credit facilities. As to the Loans from related parties, in December 2014, Gaming Invest irrevocably and unconditionally canceled Sisal Group's indebtedness outstanding under the Shareholder Loan ZC, with the consequent effect of a recapitalization of Sisal Group's equity for approximately €89 million. We currently have and, following the Transactions, will continue to have a significant amount of outstanding debt with substantial debt service requirements. As of March 31, 2016, after giving pro forma effect to the Refinancing as described under "*Use of Proceeds*", the principal amount of our total external debt would have been €728.2 million.

Financial debt

The following table sets forth our financial debt as of March 31, 2016 and as of December 31, 2015, 2014 and 2013.

	As of March 31,	As of December 31		
	2016	2015	2014	2013
	(Unaudited)			
		(In millions of Euro)		
Existing Senior Credit Facilities Agreement	415.4	414.8	425.4	439.5
Loans from related parties	417.1	410.9	387.0	450.1
2013 Senior Secured Notes	271.7	276.2	274.3	272.7
Other loans from third parties	3.2	3.7	5.4	7.4
Total	**1,107.4**	**1,105.6**	**1,092.1**	**1,169.7**
of which current	49.0	54.2	54.5	61.8
of which non-current	1,058.4	1,051.4	1,037.6	1,107.9

As of March 31, 2016, 37% of our medium and long term debt is subject to variable interest rates (38% as of December 31, 2015).

We have not entered into any hedging transactions from the end of 2012 to the date of this offering memorandum.

A description of the most significant outstanding debt is provided below.

Loans from related parties

The following table sets forth the Loans from related parties, which is comprised of two loans obtained from Gaming Invest as follows:

	As of March 31,	As of December 31,		
	2016	2015	2014	2013
	(Unaudited)			
		(In millions of Euro)		
Shareholder Loan C	417.1	410.9	387.0	367.4
Shareholder Loan ZC	—	—	—	82.7
Loans from related parties	**417.1**	**410.9**	**387.0**	**450.1**

The Shareholder Loan C, secured in October 2006 for an original amount of €452 million, provides for: i) our obligation to repay the loan in a one-off amount on request by the lender and ii) our right to repay the residual debt in part or in full at any time. However, the repayment of the principal on this loan is subordinate to the Existing Senior Credit Facilities Agreement, or in cases expressly provided by the Existing Senior Credit Facilities Agreement or, finally, upon specific authorization of the syndicate of banks which grated the loan.

There are two different fixed rate interest components on this loan:

- the "PIK Margin" interest, equal to 6% per year on the residual debt, which the Company, instead of paying, may capitalize for the entire term of the loan (interest accrues on the capitalized interest);
- the "Cash Margin" interest, equal to 4.5% per year on the residual debt, which must be paid quarterly.

From January 1, 2013 to December 31, 2015, within the limits of the Existing Senior Credit Facilities Agreement, we did not repay principal and we capitalized interest for a total of €67.5 million (€17.5 million in 2013, €26.0 million in 2014 and €24.0 million in 2015).

The sole shareholder, Gaming Invest, in June 2009, extended a loan of €60 million referred to as the Shareholder Loan ZC which, like the Shareholder Loan C, was subordinate to the obligations under the Existing Senior Credit Facilities Agreement.

On December 15, 2014 Gaming Invest irrevocably and unconditionally canceled Sisal Group's indebtedness outstanding under the Shareholder Loan ZC, with the consequent effect of a recapitalization of Sisal Group's equity for approximately €89 million.

Restrictions on use of financial resources

There are no restrictions on the use of financial resources held by us other than: i) restrictions on the use of liquid assets (included within "Restricted bank deposits" in the consolidated statement of financial position) held against payables for winnings and deposits made by players to participate in online gaming. Following the Transactions, we will also be subject to restrictions related to the New Revolving Credit Facility and the indenture governing the Notes offered hereby.

Contractual Obligations

The following table sets forth our third party contractual obligations as of March 31, 2016, after giving pro forma effect to the Refinancing. The table does not include amounts due under our Shareholders Loan, or amounts payable by Gaming Invest.

	As of March 31, 2016		
	Within 12 months	Between 1 and 5 years	After 5 years
	(In millions of Euro)		
New Revolving Credit Facility[(1)]	—	—	—
Notes offered hereby	—	—	725.0
Operating lease agreements	1.3	0.3	1.6
Purchase commitments	5.6	—	5.6
Total Contractual Obligations	**6.9**	**0.3**	**732.2**

Notes:

(1) Expected to be undrawn at the Completion Date. See "*Description of Certain Financing Arrangements*".

Off-Balance Sheet Arrangements

As of March 31, 2016 we provided the following guarantees:

	At March 31, 2016
	(In millions of Euro)
Customs and Monopolies Agency (ADM)	212.6
Payments and other services	171.8
Other guarantees provided	4.1
Tax Revenue Agency-Vat Office	1.1
Total	**389.5**

We are required to provide performance guarantees in the ordinary course of our business, primarily in relation to our obligations under our concession agreements.

Guarantees provided to ADM relate to the guarantees and performance bonds which we have provided to the ADM related to the tax and operating obligations under our concessions to operate and develop various games. Non-gaming service guarantees relate to guarantees and performance bonds issued by Sisal Group S.p.A. and Sisal S.p.A. mainly in respect of agreements relating to convenience payment services and the sale or distribution of telephone top-ups for which we are required to guarantee payment, net of our fees, for the amounts collected under such agreements.

Other than the guarantees issued in the ordinary course of business, there are no other off-balance sheet commitments or guarantees.

Quantitative and Qualitative Disclosures about Market Risk

Our activities expose us to a variety of financial risks including credit risk, liquidity risk, market rate risk, foreign exchange rate risk and interest rate risk. Our risk management policy, which is managed centrally by our senior management, focuses on minimizing the potential adverse effects on our financial performance. The following section discusses the significant financial risks to which we are exposed. This discussion does not address other risks which we are exposed to in the normal course of business such as operational risks. See "*Risk Factors*".

Market risk

Interest Rate Risk

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

In particular, the Group normally looks for short-term debt to finance its working capital requirements and for medium- and long-term financing to support investments related to its operations and extraordinary transactions. The financial liabilities which expose the Group to interest rate risk are mainly medium-and long-term indexed loans at variable rates of interest. In particular, as of March 31, 2016 and December 31, 2015, 37% and 38% of our borrowings bear interest at variable rates, respectively. After giving pro forma effect to the Refinancing, approximately 45% of our borrowings as of March 31, 2016 would have been floating rate borrowings.

We estimate that an increase in interest rates of 100 basis points, or 1%, on our floating rate indebtedness would have resulted in an increase in finance expense of €3.0 million for 2015, €3.6 million for 2014 and €4.0 million for 2013 (€3.2 million for 2015 giving pro forma effect to the Refinancing).

In the past, before 2013, we periodically entered into interest rate swap contracts to hedge the risk of movements in interest rates. Though we are reviewing hedging options, we do not expect to be party to interest rate swaps on the Issue Date. We have used interest rate swaps in the past and we may in the future enter into hedging transactions and use derivative financial instruments pursuant to established internal guidelines and policies to mitigate the potential adverse effects of changes in interest rates. We do not enter into financial instruments for trading or speculative purposes.

Liquidity Risk

Potential credit risk in commercial relations which exist mainly with the points of sale, under partnership contracts, is mitigated by specific selection procedures for points of sale, by implementing operating limits on the wagers played on the gaming terminals and by daily controls over changes in credit which provide for the blocking of the terminal in the event of non-payment and the revocation of the authorization to operate as a SISAL outlet in the event of recurrent non-payment. The potential risk in the commercial transactions with the agencies managed by third parties, under partnership agreements, and with the parties operating Gaming Machines who are entrusted by the Group with the receipts from legal gaming, is mitigated by the issue of notes and guarantees at the time of signing the contract: these relationships are also subject to monitoring and periodic audit by the Group. The gaming credit granted to individual players, in accordance with the internal procedure, is subject to the examination and authorization of management on the basis of technical and commercial assessments.

The amount of financial assets that the Group does not expect to collect is not significant, and in any case, is covered by provisions for the impairment of receivables.

The following table sets out the exposure to credit risk, analyzed by reference to the ageing of receivables:

	As of December 31, 2015				
	Amount outstanding	**Not overdue**	**Overdue 0-90 days**	**Overdue 90-180 days**	**Overdue more than 180 days**
			(In millions of Euro)		
Trade receivables	204.9	106.5	22.0	9.6	66.8
Provision for impairment of receivables	(60.5)	—	(3.1)	(2.9)	(54.5)
Net amount	**144.4**	**106.5**	**18.9**	**6.7**	**12.3**
Other receivables	37.4	35.7	—	0.1	1.6
Provision for impairment of receivables	(0.1)	—	—	—	(0.1)
Net amount	**37.3**	**35.7**	**—**	**0.1**	**1.5**
Total	**181.7**	**142.2**	**18.9**	**6.8**	**13.8**

Credit risk relating to cash and cash equivalents, bank loans, finance leases, short-term bank deposit and bank deposits on demand as well as derivative financial instruments arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds or execute the obligations under the derivative transaction as a result of the insolvency. To mitigate this risk, we seek to transact and deposit funds with financial institutions we deem credit worthy and we monitor transaction volumes in order to reduce the risk of concentration of Group's transactions with any single party.

Foreign Exchange Rate Risk

The Group faces only minimal levels of foreign currency exchange exposure (primarily USD and GBP).

In particular, the Group is affected by currency exchange rate risks in relation to the supply of spare parts and gaming equipment purchased in foreign currency, which represent a minimal portion of such purchases.

Bookmaker Risk

Quoting odds, or the process of bookmaking, is the activity of setting odds for fixed odds betting, which, in effect, represents a contract between the bookmaker, who agrees to pay a pre-determined amount (the odds) and the player, who accepts the proposal made by the bookmaker and decides on the amount of his bet within the limits allowed by existing law.

The implicit risk of this activity is managed by the Group's risk management function, also assisted by external consultants in order to correctly determine the odds and reduce the possibility of speculative betting. See "*Business—Operating Segments—Retail Gaming—Fixed-odds Betting*".

Critical Accounting Estimates

The preparation of our consolidated financial statements requires that management apply accounting standards and methods which, under certain circumstances, are based on difficult subjective measurements and estimates based on past experience and on assumptions considered, at various times, to be reasonable and realistic in terms of the respective circumstances. The use of such estimates and assumptions affects the amounts reported in the consolidated financial statements as of and for each of the years ended December 31, 2015, 2014 and 2013 as well as the information disclosed.

Actual results for those areas requiring management judgment or estimates may differ from those recorded in the financial statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions on which the estimates are based.

The primary areas applicable to our Group, that require greater subjectivity of management in making estimates and where a change in the conditions underlying the assumptions could have a significant impact on our consolidated financial statements include the following items.

Revenue Recognition

Revenues are recognized initially at the fair value of the consideration received net of rebates and discounts. Revenues from services are recognized by reference to the value of the services rendered as of the end of the reporting period. Revenues from the sale of goods are recognized when the company has transferred substantially all the risks and rewards of ownership of the goods. In accordance with IFRS, sums collected on behalf of third parties that do not cause an increase in the Group's equity are excluded from revenues which, instead, are represented solely by the fees and commissions accrued on the transaction. Specifically, the cost pertaining to the purchase of telephone top-up and television content cards are shown as a deduction from gross revenues to highlight that with these transactions the Group's revenue is only the difference between the sales price and the nominal cost of the card.

Fixed Odds Betting Income

Betting income in relation to fixed odds betting is recognized initially as a financial liability in accordance with IAS 39 at the date the bet is accepted. Subsequent changes in the amount of the financial liability are recognized in the consolidated income statement under "Fixed odds betting income" until the date of the event for which the bet was accepted.

Impairment of Property, Plant and Equipment and Intangible Assets

Goodwill

Goodwill is tested for impairment annually or more frequently, whenever events or changes in circumstances indicate that goodwill may be impaired. To test for impairment, goodwill is allocated to each cash-generating unit ("**CGU**") monitored by management. An impairment loss on goodwill is recognized when the CGU's carrying amount exceeds its recoverable amount. The recoverable amount a CGU is the higher of its fair value less costs to sell and its value in use, being the present value of estimated future cash flows. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate, before taxes, that reflects current market assessments of the time value of money and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount. The carrying amount of an asset should not be reduced below the highest of:

- the fair value of the assets less costs to sell;
- the value in use;
- zero.

The reversal of a previous write-down for the impairment of goodwill is not permitted.

As of March 31, 2016, goodwill amounted to €860.9 million, representing 52% of our total assets.

Property, plant and equipment and intangible assets with a finite useful life

At every balance sheet date, the Group assesses whether there are any indications of impairment of intangible and tangible assets with a finite useful life. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the carrying amount of the assets is reduced to the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the carrying amount of the CGU exceeds the recoverable amount, an impairment loss is recorded as described above in relation to goodwill. When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount with a contra-entry to the consolidated income statement, up to the carrying amount that would have been recorded had no impairment loss been recognized.

Impairment Loss/Reversal of Fixed Assets

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

Depreciation of Property, Plant and Equipment and Amortization of Intangible Assets

The cost of property, plant and equipment and intangible assets is depreciated/amortized on a straight line basis over the estimated useful life of each asset. The economic useful life of these assets is determined at the time of purchase, based on historical experience for similar assets, market conditions and expected future events which may affect them, such as technological changes. An asset's actual useful life may, therefore, be different from its estimated useful life. Each year the Group assesses technological and business segment developments and any contractual and legislative changes related to the use of the assets, and reviews the assets' recoverable values in order to update residual useful life estimates if necessary. Such updating may modify the period of depreciation/amortization and consequently the annual rate and charge for the current and future periods.

Deferred Tax Assets

Deferred tax assets are recorded on the basis of expectations of future taxable income. The assessment of expected future taxable income for the purpose of recognizing deferred tax assets depends on factors which may vary over time and may have significant effects on the measurement of this item.

Provisions for Risks and Charges

In this provision the Group provides for the probable liabilities relating to litigation with staff, suppliers and third parties, and other general expenses arising from any commitments. The quantification of such provisions involves assumptions and estimates based on presently available knowledge of factors which may vary over time. Thus the final outcomes may be significantly different from those considered during the preparation of the consolidated financial statements.

Provision for Impairment of Receivables

This provision reflects the estimated losses on receivables. The provision covers the estimate of the risk of losses which derives from past experience with similar receivables, from the analysis of overdue receivables (current and historical), of losses and recoveries and finally from monitoring both current and prospective economic trends and forecasts relevant to the Group's business.

Severance Indemnity Provision

Short-term benefits are represented by salaries and wages, social security, indemnities in lieu of holidays and incentives in the form of bonuses payable in the twelve months subsequent to the date of the consolidated financial statements. Such benefits are recognized as components of personnel costs in the period in which their services are rendered. Post-employment benefits are divided into two categories: defined contribution plans and defined benefit plans.

In defined contribution plans, contributory costs are charged to the consolidated income statement as they occur, based on the relevant nominal value.

In defined benefit plans, which include severance indemnity due to employees regulated by art. 2120 of the Italian Civil Code ("**TFR**"), the amount of the benefit to be paid is quantifiable only after termination of employment, and associated with one or more factors such as age, the year of service and compensation. Therefore the relevant cost is charged to the consolidated statement of comprehensive income based on actuarial computations. The liability recorded in the consolidated financial statements for defined benefit plans corresponds to the present value of the obligation at the date of the consolidated financial statements. The obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method.

The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to high-quality corporate bonds issued in Euro which reflect the period of the relevant defined benefit plan.

Starting from January 1, 2007, Italian Law 2007 and the relative decrees implementing the law introduced modifications concerning TFR employee severance indemnity. Such modifications include the choice by employees as to the destination of the accruing indemnity. In particular, new flows of TFR can be directed by the employee either to pre-chosen pension funds or retained in the Group. In the case of TFR directed to external pension funds, starting from such date the new amounts accrued have the nature of defined contribution funds not subject to actuarial measurement.

From January 1, 2013, following the adoption of IAS 19 Revised, changes in actuarial gains and losses are recognized in other comprehensive income.

INDUSTRY OVERVIEW

We operate in two distinct markets: the Italian Gaming market and the Italian Payments and Services market. The Gaming market includes land-based and online gaming and betting. The Gaming market is regulated by the ADM. The Payments and Services market includes top-ups, payment of utility and other bills and fines, and prepaid debit cards. The sale of top-ups is unregulated, while the payment of bills and fines and issuance and reload of debit cards is regulated by the Bank of Italy.

Italian Gaming Market

One of the key performance indicators of the Italian Gaming market is "gross gaming revenue", calculated as turnover (the total amount of wagers collected from players) less the amounts paid to players as winnings (or payout). The "gross gaming revenue" allows to compare market performances across different countries and indicates players' expenditure using a methodology similar to families' expenditure on goods and services.

In 2015, Italy was the second largest gaming markets in Europe with a gross gaming revenue of €16.8 billion after the United Kingdom with a gross gaming revenue of €17.2 billion, and followed by Germany with a gross gaming revenue of €10.2 billion, France with a gross gaming revenue of €9.4 billion and Spain with a gross gaming revenue of €8.2 billion. In the same year, the total Gaming turnover in Italy amounted to €88.0 billion (Source: Estimates derived from GBGC data 2015)

The compensation value chain of the Gaming sector is expressed by the "net gaming revenue" indicator, which refers to gross gaming revenue less the amount of taxes payable to the Italian treasury. Net gaming revenue represents the value of the remuneration to concessionaires, the service suppliers (such as the operators managing the Gaming Machines) and the points of sale. We are active as concessionaire, operator and retailer, covering all the value chain of the Gaming market.

The following table shows total turnover, gross gaming revenue and net gaming revenue for the Gaming market in Italy for the years 2009 to 2015. The four Italian casinos, which are not managed by us, are not included and are subject to regulations different from those applicable to the other Gaming activities.

	Year ended December 31,							
	2009	2010	2011	2012	2013	2014	2015	2009 - 2015 CAGR
	(€ millions, except percentages)							
Turnover	54,403	60,991	79,671	88,270	84,308	84,229	88,019	8.3%
Year on year growth	n.a.	12.1	30.6	10.8%	(4.5)%	(0.1)%	4.5%	
Gross gaming revenue	16,197	17,073	17,982	17,632	16,691	16,605	16,816	0.6%
Year on year growth	n.a.	5.4	5.3	(1.9)%	(5.3)%	(0.5)%	1.3%	
Net gaming revenue	7,156	8,017	8,986	9,318	8,280	8,439	8,030	1.9%
Year on year growth	n.a.	12.0	12.1	3.7%	(11.1)%	1.9%	(4.8)%	
Real Italian GDP	1,577,792	1,604,344	1,614,414	1,568,162	1,540,672	1,536,548	1,546,419	(1.1)
Year on year real Italian GDP growth	(5,5)%	1.7	0.6	(2.9)%	(1.8)%	(0.3)%	0.6%	

Source for market data from 2009 to 2015: Derived from ADM data. Source for Italian GDP: Istat.

The Italian Gaming market has experienced a compound annual growth rate ("**CAGR**") in the period from 2009 to 2015 of 8.3% with respect to turnover, 0.6% with respect to gross gaming revenue, and 1.9% with respect to net gaming revenue. The differing trends in respect of turnover, gross gaming revenue and net gaming revenue are mainly due to the change of the product mix, which has shifted towards games with higher payouts (such as online games) compared to more traditional lower payout games (such as lotteries) and an increase in Gaming taxes.

In 2013 and 2014, total turnover of the gaming market slightly declined, primarily attributable to the negative trend of traditional gaming products, such as lotteries, and the decrease in gaming machine turnover, particularly VLT turnover, which was negatively affected by the roll-over of the relative terminals on the market and the unfavorable economic situation as regards consumption. In 2015, however, total turnover increased, mainly due to the positive performance of sports betting, a material increase in the average payout which generated more interest in Gaming products and the contribution of a number of foreign operators which previously operated under concessions from other European countries and, in 2015, became Italian concessionaires, particularly in the online sports betting segment.

Between 2009 and 2015, the Gaming market was characterized by technological development and product innovation. The main factors that have affected the market in this time period are: (i) the legalization and the increase in the offering of online gaming, (ii) the introduction of VLTs which significantly broadened the product offering in the gaming machine market segment, (iii) the modernization of existing retail networks and the introduction of new gaming hall formats suitable to hosting VLTs, (iv) the technological innovation of the traditional distribution network, (v) an increase in the average payout from about 70.2% in 2009 to about 80.9% in 2015, largely attributable to the introduction of new

games with higher legally mandated payouts, which made games more attractive to consumers, (vi) stricter controls on illegal gaming activities as well as a greater focus on socially responsible gaming, which we believe may have led to a broader acceptance of gaming in the population, (vii) the introduction in 2013 of Virtual Races that are a visual representation of a race where odds are based on a computerized number draw and (viii) increase in Gaming taxation following the adoption of the 2015 Stability Law.

The Italian Gaming market is subject to a complex regulatory framework which is overseen by the ADM. Regulations prescribe, among other things, (i) which games may be operated and what amounts are charged as taxes; (ii) what minimum level of winnings may be awarded; (iii) what level of compensation may be paid to concessionaires; (iv) the number and location of the points of sale and whether a given concession is exclusive or available to multiple concessionaires; and (v) minimum levels of service.

In the past ten years, the Italian Gaming market has been significantly liberalized, including through the following laws and regulations:

- the Bersani Decree of 2006 which significantly liberalized the betting market by extending betting concessions to non-specialized points of sales such as tobacconists and coffee shops;
- the 2008 Community Law (Law 7 July 2009, no. 88) which modified and integrated the existing Italian regulatory framework to comply with EC Treaty requirements on competition law and freedom of establishment, with a view to simplifying the award of new concessions to existing market participants and to opening the Italian market to competition from EU member states;
- the Abruzzo Decree of 2009 which introduced and regulated VLTs and annuity lottery games;
- the ADM Decree of 5 February 2010, which regulated the online games such as online tournament poker, online cash poker and casino games launched in 2011 and online slot machines in 2012, setting higher payout ratios and lower tax rates;
- the Balduzzi Decree of 2012 which regulated advertisements in the gaming industry and the disclosure of payout ratios; and
- the 2015 Stability Law which legalized CTDs, bringing them under the Italian gaming tax regime by, amongst other things, connecting them to the regulator's servers.

Based on the abovementioned liberalization initiatives, we believe Italy is one of the most developed Gaming markets in Europe. For more information on the regulatory framework that governs our Gaming activities, see "*Regulation*".

We believe that the Gaming market is maturing and may slightly increase over the next few years, and will be characterized by the following trends:

- the further consolidation of the fragmented gaming machine operators sector and the betting sector;
- the consolidation of the online Gaming market, which is characterized by a high rate of product innovation;
- the consolidation and modernization of the existing retail network with improved gaming hall formats; and
- the stable performance of the traditional lottery market segment in which Sisal and IGT hold the only concessions.

Distribution network

The Gaming market has a broad and widespread distribution network. According to the estimates of our management, as of December 31, 2015, there were approximately 105,000 points of sale offering gaming and betting in Italy (Source: Derived from ADM data).

The points of sale are classified on the basis of the products offered:

- betting shops and hippodromes, dedicated to gaming and betting activities where customers may place sports and horse bets and also play slot machines and VLTs;
- sports and horse betting corners, located in shops whose main activity is not gaming (such as bars, tobacconists and newspaper stands). At these locations, according to applicable laws, it is possible to install slot machines but not VLTs. The number of active corners was equal to 4,609 as if December 31, 2015 (Source: Derived from ADM data);
- gaming halls, which are dedicated to Gaming activities, including gaming machines;
- bingo halls, which are dedicated to the game of bingo but may also host gaming machines; and
- other commercial businesses whose main activity is not gaming (such as bars, tobacconists and newspaper stands), where it is possible to play lotteries (NTGN, Lotto and Gratta e Vinci) and slot machines, but not VLTs.

Market Segments

The following table shows the turnover in Italy by market segment for the years 2009 to 2015:

	Year ended December 31, (In millions of Euro)							2009 - 2015 CAGR
	2009	2010	2011	2012	2013	2014	2015	
Betting[1]	**4,805**	**4,773**	**4,098**	**3,697**	**3,310**	**4,366**	**4,305**	**(1.8)%**
Sports betting	2,936	3,142	2,798	2,759	2,546	2,657	2,724	(1.2)%
Horse betting	1,869	1,631	1,300	938	747	625	571	(17.9%)
Virtual races	—	—	—	—	16	1,084	1,010	—
Gaming Machines	**25,525**	**31,474**	**44,735**	**49,764**	**47,391**	**46,744**	**48,161**	**11.2%**
Slot Machine	25,525	30,674	29,870	27,420	25,428	25,396	25,963	0.3%
VLTs	—	800	14,865	22,344	21,963	21,348	22,198	—
Online Games	**3,766**	**4,827**	**9,850**	**15,499**	**14,778**	**14,385**	**16,914**	**28.5%**
Poker	2,320	3,073	6,752	9,098	6,340	4,779	3,721	8.2%
Casino	28	73	1,666	4,874	6,941	7,538	9,508	164.2%
Online lotteries	81	80	52	47	40	52	63	(4.0)%
Online betting	1,337	1,455	1,196	1,309	1,341	1,650	2,933	14.0%
Sports betting	1,226	1,356	1,127	1,236	1,276	1,593	2,869	15.2%
Horse betting	112	99	69	73	65	57	64	(8.8)%
Betting exchanges	—	—	—	—	—	205	541	—
Virtual races	—	—	—	—	n.s.	64	57	—
Online bingo[2]	n.s.	146	184	170	115	96	91	
Lotteries	**18,795**	**18,101**	**19,368**	**17,717**	**17,281**	**17,206**	**17,132**	**(1.5)%**
Instant lotteries	9,359	9,367	10,193	9,729	9,598	9,427	9,049	(0.6)%
Lotto	5,663	5,231	6,795	6,221	6,316	6,601	7,036	3.7%
NTNG	3,772	3,503	2,380	1,767	1,366	1,179	1,046	(19.2)%
Bingo	**1,512**	**1,816**	**1,620**	**1,593**	**1,549**	**1,528**	**1,507**	**(0.1)%**
Total market turnover	**54,403**	**60,991**	**79,671**	**88,270**	**84,308**	**84,229**	**88,019**	**8.3%**

(1) Includes pool games and prediction games.
(2) Online bingo activities commenced in 2009 upon authorization from ADM and, as a result, calculating a CAGR is not meaningful.

Source: Derived from ADM data. Elaborations 2009-2015 carried out assuming the minimum payout, where not officially available.

The following table shows gross gaming revenue in Italy by market segment for the years 2009 to 2015:

	Year ended December 31, (In millions of Euro)							2009 - 2015 CAGR
	2009	2010	2011	2012	2013	2014	2015	
Betting[1]	**1,274**	**1,163**	**1,111**	**815**	**818**	**961**	**851**	**(6.5)%**
Sports betting	686	652	704	533	589	601	513	(4.7)%
Horse betting	588	511	408	282	226	185	167	(18.9)%
Virtual races	—	—	—	—	3	176	171	—
Gaming Machines	**6,381**	**7,749**	**8,672**	**9,665**	**9,027**	**9,021**	**9,348**	**6.6%**
Slot Machine	6,381	7,669	7,230	6,885	6,388	6,457	6,684	0.8%
VLTs	—	80	1,442	2,780	2,640	2,564	2,664	—

	Year ended December 31, (In millions of Euro)							2009 - 2015 CAGR
	2009	2010	2011	2012	2013	2014	2015	
Online Games	**569**	**696**	**735**	**755**	**729**	**728**	**831**	**6.5%**
Poker	278	369	372	345	233	181	146	(10.2)%
Casino	4	11	62	159	239	264	338	107.8%
Online lotteries	26	27	17	15	14	17	20	(4.1)%
Online betting	261	245	229	185	208	226	287	1.6%
Sports betting	226	214	210	168	192	212	272	3.1%
Horse betting	34	31	19	17	16	13	15	(12.9)%
Betting exchange	—	—	—	—	—	1	3	—
Virtual races	—	—	—	—	n.s.	10	9	—
Online bingo[2]	n.s.	44	55	51	35	29	27	
Lotteries	**7,519**	**6,921**	**6,977**	**5,920**	**5,652**	**5,437**	**5,335**	**(5.6)%**
Instant lotteries	2,808	2,565	2,820	2,792	2,653	2,605	2,457	(2.2)%
Lotto	2,521	2,277	2,795	2,111	2,201	2,148	2,271	(1.7)%
NTNG	2,190	1,979	1,362	1,017	798	684	607	(19.3)%
Bingo	454	545	486	478	465	458	452	(0.1)%
Total market gross gaming revenue	**16,197**	**17,073**	**17,982**	**17,632**	**16,691**	**16,605**	**16,816**	**0.6%**

(1) Includes pool games and prediction games.
(2) Online bingo activities commenced in 2009 upon authorization from ADM and, as a result, calculating a CAGR is not meaningful.

Source: Derived from ADM data. Elaborations 2009-2015 carried out assuming the minimum payout, where not officially available.

The following table shows net gaming revenue in Italy by market segment for the years 2009 to 2015:

	Year ended December 31, (In millions of Euro)							2009 - 2015 CAGR
	2009	2010	2011	2012	2013	2014	2015	
Betting[1]	**755**	**699**	**732**	**512**	**560**	**696**	**602**	**(3.7)%**
Sports betting	521	495	566	406	475	487	402	(4.2)%
Horse betting	234	204	166	106	82	68	63	(19.8)%
Virtual races	—	—	—	—	2	141	137	—
Gaming Machines	**3,133**	**3,920**	**4,608**	**5,386**	**4,558**	**4,588**	**4,218**	**5.1%**
Slot Machine	3,133	3,859	3,508	3,567	3,082	3,156	2,792	(1.9)%
VLTs	—	62	1,100	1,819	1,476	1,432	1,426	—
Online Games	**407**	**493**	**540**	**555**	**547**	**544**	**599**	**6.7%**
Poker	209	277	282	268	184	143	114	(9.6)%
Casino	3	9	48	129	189	209	266	107.3%
Online lotteries	10	9	6	5	4	5	7	(5.6)%
Online betting	184	171	169	122	148	160	183	(0.1)%
Sports betting	170	157	163	118	144	156	179	0.9%
Horse betting	14	13	6	4	4	3	4	(19.5)%
Betting exchange	—	—	—	—	—	1	3	—

	Year ended December 31,							
	(In millions of Euro)							2009 - 2015
	2009	2010	2011	2012	2013	2014	2015	CAGR
Virtual races	—	—	—	—	n.s.	8	8	—
Online bingo[2]	n.s.	28	35	32	22	18	17	
Lotteries	**2,668**	**2,560**	**2,798**	**2,562**	**2,321**	**2,320**	**2,326**	**(2.3)%**
Instant lotteries	1,301	1,302	1,417	1,352	1,167	1,143	1,104	(2.7)%
Lotto	912	842	1,094	1,002	994	1,040	1,099	3.2%
NTNG	455	416	287	208	161	138	123	(19.6)%
Bingo	**194**	**345**	**308**	**303**	**294**	**290**	**286**	**6.7%**
Total market net gaming revenue	**7,156**	**8,017**	**8,986**	**9,318**	**8,280**	**8,439**	**8,030**	**1.9%**

(1) Includes pool games and prediction games.
(2) Online bingo activities commenced in 2009 upon authorization from ADM, and as a result, calculating a CAGR is not meaningful.

Source: Derived from ADM data. Elaborations 2009-2015 carried out assuming the minimum payout, where not officially available.

Concessionaires are responsible for the collection and payment of gaming taxes. Gaming taxation is generally calculated as a percentage of the turnover. Taxation for poker cash, online casino games, and virtual races is instead calculated as a percentage of gross gaming revenue. In 2015, taxes expressed as a percentage of turnover amounted to approximately 17.6% for lottery games, 3.6% for sports betting and pool games, 18.2% for horse betting, 3.4% for Virtual Races, 13.0% for slot machines, 5.0% for VLTs, 1.4% for online games and 11.0% for bingo. In 2015 Stability law introduced an additional taxation (€ 0.5 billion) on Gaming Machines.

The payout ratio to winners varies by segment. In 2015, winnings expressed as a percentage of turnover amounted to approximately 68.9% for lottery games, 86.0% for sports betting (online and offline betting) and pool games, 83.1% for Virtual Races, 71.3% for horse betting, 74.3% for slot machines, 88.0% for VLTs, 95.1% for online games and 70.0% for bingo. As a result of the different payout ratios, there has been a shift of players towards games with higher payout, such as VLTs and online games, in recent years.

For the year ended December 31, 2015 the total market net gaming revenues in Italy was €8.0 billion, of which 49% was represented by net gaming revenue generated by retailers, 33% by concessionaires and 17% by operators.

Betting

Concessions for betting activities are granted in the form of licenses for the operation of a single betting shop or betting corner. A concessionaire can hold one or more licenses, depending on the number of betting shops or corners it operates. The Italian betting market comprises three main segments: sports betting, horse betting and virtual races, introduced in December 2013. Sports and horse bets may be placed either through the retail channel (shops or corners) or through the online channel. Most large concessionaries integrate their betting offerings; we, for example, integrate our betting shops, corners and online offerings under the Sisal Matchpoint brand. Other betting relates to non-sports events connected with the world of entertainment, music, culture and current affairs of national and international importance. In 2015, total betting turnover (including online betting) in Italy amounted to almost €7.8 billion and total betting gross gaming revenue amounted to approximately €1.1 billion.

- **Sports Betting.** Sports betting includes fixed-odds sports betting, as well as pool games, for which prizes are calculated, in according with law, as a percentage of total bets. Sports betting takes place at designated betting shops and corners as well as online and is based on real-life sport events, such as football, basketball and tennis, as well as other events, such as Formula 1 and MotoGP. In 2015, the online sports betting gross gaming revenue accounted for 34.6% of total sports betting gross gaming revenue**.** Consumer participation in the sports betting segment fluctuates from year to year and is influenced by the occurrence of special sport events such as the Olympic Games and the World or European Football Championships. Furthermore, the regulation has broadened the range of permissible betting events and introduced new betting formats such as live betting, which allows consumers to place bets on an event after the event has started based on constantly changing odds. The popularity of pool games has declined significantly in recent years, which we attribute primarily to competition from fixed-odds sports betting and the limited appeal of pool games compared to other newer offerings. The Italian sports betting market is relatively consolidated with three main operators: Snai, our Group and IGT. We operate a business model whereby we hold a license for each of our shops and corners. In 2015, our sports betting offline market share was approximately 15.5% based on turnover.

- **Horse Betting:** Horse betting includes traditional horse race betting, which is exclusively played in betting shops and corners and hippodromes, as well as other horse betting games, such as Ippica Nazionale, which can be played in betting shops and corners. For traditional horse race betting, a unit bet costs €1 and the minimum bet is equal to €2; the number of events on which bets can be placed depends on the daily program published by the horse race association. For Ippica Nazionale, the number of events on which bets can be placed is fixed at approximately 15 events per day and a unit bet costs €0.50 and the minimum bet is equal to €1. Turnover from horse betting has significantly declined since 2009, which we attribute primarily to players switching to other betting games as well as prolonged strikes by horse racing industry workers. Additionally, horse betting is characterized by high taxes as a percentage of turnover, which in turn reduces the payout to players. Industry associations and public authorities are currently evaluating measures to restore interest in the horse betting market.
- **Virtual races.** Virtual racing is a visual representation of a race where odds are based on a computerized number draw**.** Virtual races may be held by concessionaires that are licensed to collect sport and horse bets through the physical or online channel. Every outcome, relating to a single bet, will have a payout of between 80% and 90%. Every combination relating to a multiple bet will have a payout of between 60% and 90%. The maximum number of events that players can bet on during a day is 500 (*Source*: ADM, Technical Attachment for the bets on virtual events). The tax rate on the virtual events is 20% of gross gaming revenues. Virtual races was introduced in Italy in December 2013 and has already proved popular with a total turnover of approximately €1.1 billion in 2015.

Gaming Machines

In 2015, the Italian Gaming Machines market accounted for approximately 55.6% of overall Gaming gross revenue and approximately 54.7% of the total turnover of the Gaming market. In the same year, Gaming Machines gross gaming revenue amounted to approximately €9.3 billion and turnover amounted to approximately €48.2 billion. The Gaming Machines market currently comprises 13 concessionaires and can be divided into two different segments, slot machines and VLTs.

Slot Machines. Traditional slot machines, also referred to as "clause 6A'' machines, or amusement with prize ("**AWP**"), employ a graphical reel containing pictures (such as fruits) and provide games of controlled chance, paying cash to winners. Slot machines were legalized in Italy in 2004 and are primarily placed in bars, cafes, tobacconists, gaming and bingo halls. The number of authorized operating slot machines in Italy is about 418,210.

The slot machines segment involves three market participants:

- the slot machine concessionaire, responsible to ADM for the certification of the machine, the establishment and management of the network connection, data transmission to ADM, the proper functioning of the machine and the collection and payment of taxes. The concessionaire receives compensation based on a percentage of the turnover. Based on a market analysis commissioned by our Group, the remuneration of concessionaires for 2015 was approximately 3% of the net gaming revenue (MAG—Consulenti Associati analysis), to which the return of a deposit of 0.5% of the gaming turnover must also be added;
- the slot machine operator, known as the "*gestore*", who is responsible for the initial deployment, management and maintenance of the machine and enters into a revenue-sharing contract with the retailer who displays the machine. The *gestore* operates in partnership with a concessionaire. Based on a market analysis commissioned by our Group, the average remuneration of slot machine operators for 2015 was approximately 43.0% of the net gaming revenue (*Source*: MAG—Consulenti Associati analysis); and
- the retailer, who is responsible for collection from the final consumer and represents the physical point of sale where the machine is located. Based on a market analysis commissioned by our Group, the remuneration of retailers for 2013 was approximately 54.0% of the net gaming revenue (Source: MAG Consulenti Associati analysis).

A concessionaire may also act as *gestore*, and, as of December 31, 2015, we were the *gestore* for about 53% of our slot machine concessions. Currently, we estimate that over 3,600 *gestore* operate in the Italian Gaming Machines market segment.

In 2015, our slot machine market share was approximately 8.6% based on turnover. We consider the market of slot machine operators to be highly fragmented and we believe we are the main *gestore* in the market.

Video Lottery Terminals. Video lottery terminals, also referred to as "clause 6b" machines, or VLTs, were first introduced in Italy in August 2010. Instead of the traditional graphical reels of slot machines, VLTs employ a video display and provide a wider range of games. VLTs can be managed and monitored remotely and in real time and can only be placed in dedicated gaming halls. They offer a minimum payout ratio of 85%, which is higher than the payout ratio for traditional slot machines, due to different legally mandated payout rates which include jackpots and games mechanics.

The VLTs market involves the following participants:

- the VLT concessionaire, responsible to ADM for the connection of the terminals and the management of the platform, as well as for the administrative procedures and collection and payment of taxes related to the

concession. Based on a market analysis commissioned by our Group, the remuneration of concessionaires for 2015 was approximately 36% of the net gaming revenue (Source: MAG Consulenti Associati analysis);

- the technological partner, who provides the platform to which the terminals are connected. Where the concessionaire is not the owner of the platform, it will enter into a revenue sharing contract with the supplier of the platform. On the basis of market analysis commissioned by our management, the remuneration of technological partners for 2015 was approximately 11% of the net gaming revenue (Source: MAG Consulenti Associati analysis); and
- the retailer, with whom the concessionaire agrees a revenue-sharing contract, represents the physical point of sale where the machine is located. On the basis of market analysis commissioned by our management, the remuneration of retailers for 2015 was approximately 53% of the net gaming revenue (Source: MAG Consulenti Associati analysis).

As of 31 December 2015, there were 60,537 VLTs assigned to concessionaires. VLTs are assigned to the same concessionaires that are active in the slot machines market segment. As of December 2015, based on the latest available ADM data and on the analysis commissioned by our management (*Source*: MAG Consulenti Associati analysis), 88.1% of such awarded concessions had been deployed. We have deployed approximately 94.1% of our awarded concessions. In 2015, our VLT market share was approximately 7.7% based on turnover.

Lotteries

Lotteries represent the most traditional segment of the Italian Gaming market and have historically attracted the largest number of players. Lottery games can be played in, among other locations, newsagents, coffee shops, tobacco shops, betting shops and corners, as well as gaming halls. Lotteries are assigned on the basis of concessions, establishing the remuneration of the concessionaire and the retailer. In 2015, the total lotteries gross gaming revenue amounted to approximately €5.3 billion, with a turnover of approximately €17.1 billion.

There are currently three concessions in the lotteries market, which comprise three product offerings: (i) Instant Lotteries, (ii) Lotto and (iii) NTNGs.

- **Instant Lotteries.** Instant lotteries are the largest contributor to the lotteries market, accounting for about 52.8% of lotteries turnover in 2015. Instant lotteries are exclusively managed by Consorzio Lotterie Nazionali, a consortium of gaming companies led by IGT, with its current concession expiring in June 2019. Historically, the instant lotteries segment has been characterized by a short product life cycle with a high level of product innovation and product replacement. The main product is "Gratta e Vinci". The 2015 payout for instant lotteries was approximately 72.9% of turnover (Source: Derived from ADM data).
- **Lotto.** Lotto is the oldest game in the Italian Gaming market and is exclusively managed by IGT, with its current concession expiring in June 2025. Lotto is a draw-based numeric lottery game based on fixed odds with the prize based on the type of bet made by the player.
- **NTNG.** NTNG products involve (i) a single jackpot, derived from a predetermined share of the pool, collected on a nationwide basis, and (ii) the division of the jackpot into equal shares between winners in the same prize category. We have an exclusive concession to operate NTNG, which expires in June 2018. NTNG include games such as SuperEnalotto, the most popular Italian jackpot game, Win For Life, the first Italian annuity-prize game, and the European NTNG, Eurojackpot, which was introduced in Italy in 2012. SuperEnalotto is the largest contributor to the NTNG segment, accounting for approximately 84.2% of total NTNG turnover in 2015. NTNG turnover is influenced by fluctuations of jackpot sizes, as high jackpots attract a larger number of players. NTNG had an average payout ratio amounting to 42.0% of turnover in 2015.

In 2015, our Lotteries market share was approximately 6.1% based on turnover.

Online Games

Online games were legalized in Italy in 2005 with the introduction of online sports betting. The online games market is highly fragmented and includes approximately 104 concessionaires as of December 31, 2015. An online concession generally permits the concession holder to operate any number of online games, even if concessionaire does not hold a concession to operate such games at a physical point of sale. Between 2009 and 2015, the Italian online games market (excluding online betting which is included in betting, see "*Betting*") grew significantly, with a gross gaming revenue of approximately €0.5 billion and a turnover of approximately €13.4 billion in 2015, up from €0.3 and €2.4, respectively, in 2009. The increase in turnover is primarily attributable to: (i) the introduction of new online games, (ii) the high legally-mandated payout rates of online games (excluding betting and lotteries games, which have almost the same payout rate whether they are played online or offline) which on average exceeds 96% of the turnover, and (iii) the shift of players from illegal games on foreign websites to legal games on websites authorized by ADM. In addition, in 2015, the Italian digital environment reached a size of 28.8 million online users per month, which includes 22.2 million mobile internet users.

To access the online Gaming market, players must set up an online account with an online games provider, must have an Italian fiscal code (*i.e.*, an Italian tax registration number), an Italian registered address and must be located in Italy.

The main online games available in the market are sports and horse betting, poker, casino games, including online slot machines, online lottery games, online bingo and soft games (i.e., games of chance not based on cards).

- **Poker.** Online poker games were launched in September 2008 and currently consist mainly of poker cash games, which are played with money at stake and which usually have no predetermined end time, with players being able to enter and leave as they see fit. Poker cash games have gained market share at the expense of poker tournament games which are played with special tournament chips worth nothing outside the tournament, and which usually have a definite end condition and a specific roster of players.
- **Casino.** Online casino games include roulette, blackjack and card games. Online casino games are characterized by product innovation such as our introduction of online slot machines in December 2012. Online casino games have shown the fastest turnover growth in the industry. We were the first company to offer online casino and online slot games.
- **Online Lotteries.** Online lotteries include the online version of NTNG and instant lotteries. Online lotteries accounted in 2015 for only about 0.5% of total online gaming turnover, mainly due to lower payout ratios compared to other online games.

For the year ended December 31, 2015, 19% of the online gross Gaming revenues in the Italian market originated through mobile devices, compared to 3% in 2012.

In 2015, our Online Gaming market share was approximately 7.7% based on turnover**.**

Bingo

Bingo games were legalized in Italy in 2000. Originally, bingo could only be played in dedicated bingo halls, but since 2010 the online version has also been authorized. The objective of a bingo game is to complete a five-by-three card showing random numbers between 1 and 90. Gaming cards are sold by bingo hall employees immediately before the draw. Numbers are randomly selected by a caller and players fill a corresponding space on their card. As of December 31, 2015, over 208 concessionaries were active in the bingo market segment.

Italian Payments and Services Market

The Italian Payments and Services market relates to transactions executed in Italy to pay bills and postal pay slips, top-up prepaid debit cards, prepaid telephone cards, and TV pay-per-view cards. In 2015, the market was estimated at approximately €150 billion in terms of total transaction value. Various studies commissioned by our management reveal that the market is flat compared to 2014. The Payments and Services market is organized along four segments, reflecting the payment instruments utilized: cash, payment cards, direct bank debit and other banking instruments, such as wire transfers.

The cash and payment card segments make up our target market which is estimated at approximately €85.4 billion in terms of total transaction value in 2015**,** whereas the market for the direct bank debit and other banking instruments segments was worth approximately €65 billion.

Typically, cash and payment cards transactions can be made either at bank branches and post offices or at non-specialized sales points such as bars, tobacconists, newspaper stands, which we define **"Convenience Channel",** the sales channel we operate in. For cultural reasons, and because of the low penetration of online and direct debit payments, Italians frequently seek to make payments through such channel.

The development of the Convenience Channel for payments and services started at the beginning of 2000, by virtue of two key elements: the introduction of prepaid telephone top-ups and the simultaneous availability of a widespread data transmission network for the distribution of lotteries at nearby sales points that could also be used for payments and top-ups. We believe the consumers' ability to make payments and top-ups at bars, tobacconists and newspaper stands, at much more flexible times compared to traditional bank branches and post offices, has been a key factor for the development of the Convenience Channel. Over time, the Convenience Channel has attracted different types of operators, including utility companies, who have taken advantage of the capillary distribution of the Convenience Channel network to collect payments of their bills from their clients. In 2015, around 20.0% of the entire turnover of the Payments and Services market occurred through the data transmission network of the Convenience Channel.

Market research indicates that, during 2015, over 38 million Italians made at least one transaction using this channel (*i.e.* topped up a mobile phone, paid a bill, topped up a debit card, etc.) and that of these 38 million Italians, approximately 55.3% were not players of the games offered by ADM through the data transmission network of the convenience channel. The research confirms the interest of Italians in this channel, which is appreciated for its proximity, safety and the speed in which transactions are executed" (*Source*: Ipsos—U&A Servizi—2015).

Description of Payments and Services

The Italian Payments and Services market may be broken down into three segments, based on the type of service offered: payments (*i.e.* payment of bills, postal payment slips and fines), prepaid debit card services and top-up services (*i.e.* top-up of mobile phones, pay-per-view TV). The top-up segment is not subject to regulation, while payments and financial services are regulated by the Bank of Italy. The main operators in the market are banking institutions, post offices and operators of the Convenience Channel.

The following table sets forth the amounts paid by Italians in connection with each segment for the periods indicated.

	As of December 31,				
	2012	2013	2014	2015	CAGR 2012-2015
	(in € millions, except for percentages)				
Market (net of direct debits)	**88,266**	**87,794**	**85,244**	**85,447**	**(1.1)%**
Payments	60,266	58,377	54,462	51,811	(4.9)%
Prepaid debit cards	18,192	21,145	23,653	27,038	14.1%
Top-ups	9,808	8,271	7,129	6,598	(12.4)%

Source: Market analysis commissioned by our Group.

A description of each segment is set forth below.

Payments

This segment includes the payment of bills or postal payment slips for utilities as well as the payment of fines, car property tax, waste disposal tax and similar payments. Payment services are supplied by post offices, banks and Convenience Channel operators, including us. Consumers typically pay a fixed commission per transaction.

Prepaid debit card services

This segment includes the issue and top-up of prepaid debit cards. Consumers typically pay fixed commissions for the issue of the card and each top-up. We offer consumers the opportunity to top-up prepaid debit cards through various strategic partnerships. Our management deems that the growing distribution of prepaid payment cards (approximately 25.5 million in 2015) (*Source*: Bank of Italy) and the increase in the frequency of their use means that there is potential for further growth in this segment.

Top-ups

The top-up segment comprises top-up transactions for prepaid mobile and fixed-line telephone accounts and TV cards such as for pay-per-view. The business model of this segment provides for bilateral agreements between telephone or television operators and suppliers of the service. The supplier of the top-up service receives remuneration from the partner as a percentage of the value of the transactions executed. The reduction in the number of telephone top-ups is mainly due to the reduction of the number of telephone cards activated, the gradual shift of consumers towards post-payment solutions and the decrease of the average top-up amount. Furthermore, there is also a decrease of the number of international phone cards, also influenced by the distribution of alternative communication solutions (e.g. software such as Skype).

The value chain of the Payments and Services market includes four market participants:

- the consumer, which pays a fixed commission in connection with payments and prepaid debit card activation and top-ups, and no commission in connection with telephone top-ups;
- the retailer, which collects the payment due for the transaction, including any commission to be paid by the consumer, and issues a receipt using the computerized devices supplied by the operators. The retailer usually receives a fixed commission in connection with payments and prepaid debit card activation and top-ups or a percentage on the amount of the top-up for telephone cards, according to a revenue sharing agreement with the operator;
- the operator, such as our Group, which supplies the technological and computer services to carry out the transactions, collects, through automatic bank withdrawal procedures, the transaction amounts net of the commissions due to the retailer, based on ongoing authorizations conferred by the retailer, and transfers the amounts due to the partner, net of its commission; and
- the partner, that receives, pursuant to the different methods and timing from partner to partner, the amount paid by the consumer through the operator, net of retailers and operators' commissions.

We believe the Convenience Channel will continue to evolve as a result of a combination of the following factors:

- implementation, already underway, of cashless payment instruments;

- expansion of the distribution network outside of the traditional network of points of sale primarily dedicated to lotteries and other gaming products;
- increased awareness among consumers of the services offered by the channel, as a result of increased communication, marketing campaigns and brand awareness; and
- development over the medium-term of online and mobile payment platforms, offering consumers value added services for the planning, archiving and control of payments.

BUSINESS

Overview

We are one of the leading operators in the Italian Gaming market and have been so for the past 70 years. Our Group operates in Italy in the Gaming business, offering a broad portfolio of products through physical (or "retail channel") and online channels. Following a diversification strategy, started in 2002, we have continued to strengthen our position as one of the leaders in the Italian payments and services ("**Payments and Services**") market by taking advantage of our widespread presence in local markets, direct access to customers and distribution and technological synergies with our Gaming business.

Through our Gaming business, we offer a broad portfolio of products, including gaming machines ("**Gaming Machines**") (such as slot machines and video lottery terminals ("**VLTs**")), betting and lottery games and online games, such as poker, casino and bingo. Our products are offered through both retail channels and online through the portal "Sisal.it" and mobile applications. As of December 31, 2015, we operated through 4,669 branded points of sale, characterized by various formats identifiable with our brands ("**Branded Channel**"), and a network of 40,068 affiliated points of sale, connected electronically with our information system and located throughout Italy ("**Affiliated Channel**"). Our retail network includes points of sale whose primary business does not involve Gaming, such as newsstands, bars, and tobacconists, as well as points of sale exclusively dedicated to Gaming Machines, betting and lottery games.

We have a proven track record of successfully operating our business in a highly regulated environment. In Italy, gaming companies must have a concession from the national regulator. The regulator establishes tender criteria for gaming concessions, for example by requiring bidders to show an extensive territorial presence in Italy and expertise in the information technology processes necessary for the operation of a gaming network. Our gaming concessions have maturities up to six years, and we have a history of successfully renewing each of our concessions. The payment and financial services segment of the Payments and Services industry is regulated by the Bank of Italy, from whom we hold a license to operate as a payment institution.

As part of our Payments and Services business, we provide the following services: payment of invoices, household bills, fines, taxes and subscriptions; top up of prepaid debit cards and money transfer; top up of phone cards, international phone cards and pay-per-view TV cards; and the sale of certain small off-the-shelf products. Due to the low penetration of online and direct debit payment options, as well as for cultural reasons, Italian consumers frequently seek to make cash payments through "local" channels such as bars and newsagents rather than through traditional channels such as post offices and bank branches. We offer consumers the ability to pay over 500 types of bills, fines and certain taxes such as TV licenses, as well as top-up prepaid mobile phones and debit cards, through partnerships with 96 utilities, prepaid services providers and municipal governments. Our points of sale are open more days, have longer opening hours and generally shorter queues than post offices and bank branches, saving our customers time.

In 2013, we redefined our strategy for managing our activities. Until then, we operated under three operating segments: (i) Entertainment, (ii) Lottery, and (iii) Digital Games and Services. In December 2013, we separated Digital Games and Services into two distinct operating segments, (i) Online Gaming and (ii) Payments and Services, thereby creating a total of four business segments. The further division of our operating segments was prompted by the significant growth of the distinct products and services offered in our previous Digital Games and Services operating segment, which created the need for separate strategic models for each segment. As part of these changes, the Entertainment operating segment was renamed Retail Gaming, as it manages a part of our retail distribution network, known as the Branded Channel.

Operating segments

Our operating segments include:

Retail Gaming: dedicated to the operation of (i) Gaming Machines (slot machines and VLTs) and (ii) fixed-odd betting, totalizer betting on sport events and bingo. For the year ended December 31, 2015, our Gaming Machines and fixed-odd betting revenues were €367.7 million and €89.6 million, respectively. Our Retail Gaming operating segment also manages the Branded Channel and a portion of the points of sale in the Affiliated Channel.

Lottery: responsible for operating the exclusive concession for national totalizator number games ("**NTNG**"), which includes the following popular products, among others, the new SuperEnalotto (re-launched in February 2016), VinciCasa, Win For Life, SiVinceTutto and Eurojackpot. NTNGs are collected through the Branded Channel and the Affiliated Channel, as well as our online portal and the 17 online portals managed by third-parties and connected to our NTNG information platform. The Lottery operating segment also manages the points of sale in the Affiliated Channel that are not managed by the Retail Gaming operating segment.

Online Gaming: responsible for managing the activities of our online Gaming business, through our website Sisal.it and mobile phone channel. The Group's online offering is among the most extensive in the market and includes the entire portfolio of products available in accordance with governing regulations, including online betting and virtual races, online poker and skill games, casino and slots, quick games, lottery and bingo games.

Payments and Services: responsible for managing the following activities: (i) payment of invoices, household bills, fines, taxes and subscriptions; (ii) the "top up" of prepaid debit cards and money transfers; (iii) the "top up" of phone cards and pay-per-view TV cards; and (iv) the sale of certain products, such as small electronics and toys. This operating segment distributes its services and products through both the Branded and Affiliated Channels, the latter including 6,605 "service only" points of sale as of December 31, 2015, as well as through the online portal Sisalpay.it.

The following table sets out the total revenues and income for each of our operating segments for the three months ended March 31, 2016 and 2015, the years ended December 31, 2015, 2014 and 2013 and the twelve months ended March 31, 2016.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
Operating segment (in millions of Euro)[1]	**2013**	**2014**	**2015**	**2015**	**2016**	**2016**
				(Unaudited)		**(Unaudited)**
Retail Gaming	491.7	530.2	487.9	116.5	111.0	482.4
Lottery	98.4	84.6	74.5	19.1	21.0	76.4
Online Gaming	39.8	44.9	47.8	12.4	14.7	50.1
Payments and Services	141.2	158.2	174.7	43.1	45.6	177.2
Other revenues	1.2	3.1	2.2	0.1	0.1	2.2
Total	**772.3**	**821.0**	**787.1**	**191.2**	**192.4**	**788.3**

(1) See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*" for details regarding revenues net of amounts paid to the supply chain.

The following table sets out the EBITDA for each of our operating segments for the three months ended March 31, 2016 and 2015, the years ended December 31, 2015, 2014 and 2013 and the twelve months ended March 31, 2016.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
Operating segment (in millions of Euro)	**2013**	**2014**	**2015**	**2015**	**2016**	**2016**
				(Unaudited)		**(Unaudited)**
Retail Gaming	80.8	90.5	75.4	18.0	21.3	78.7
Lottery	36.7	27.8	27.8	7.5	7.3	27.6
Online Gaming	13.8	18.8	21.8	5.8	7.2	23.2
Payments and Services	45.9	53.4	59.0	15.3	17.5	61.2
Total EBITDA operating segment	**177.2**	**190.5**	**184.0**	**46.6**	**53.3**	**190.7**
Items with a different classification	(1.7)	(1.7)	(1.7)	(0.1)	(0.1)	(1.7)
Non-recurring items	(82.1)	(5.1)	—	—	—	—
EBITDA	**93.4**	**183.7**	**182.3**	**46.5**	**53.2**	**189.0**

Competitive Strengths

A leading operator in the attractive and resilient Italian Gaming and Payments and Services markets.

We are one of the leading operators in the Italian Gaming market as well as the Italian Payments and Services market. As a result of a series of deregulation initiatives undertaken by the Italian government from 2006, the Italian Gaming market doubled in size between 2007 and 2012 and has since then remained relatively stable, reaching a turnover of €88.0 billion in 2015. The Italian Gaming market is now one of the largest in Europe, second only to the United Kingdom. The Italian Payments and Services market achieved turnover of an estimated €150.0 billion in 2015, of which approximately €85.4 billion was processed through the cash and payment card segment that we address (the "**Addressable Payments Market**"). This segment operates through bank branches and post offices (the "**Traditional Channel**") and non-specialized points of sale such as bars, tobacconists and newsstands (the "**Convenience Channel**"). We operate exclusively through the Convenience Channel, which, since its introduction at the beginning of 2000, has grown significantly, reflecting a shift of consumers' preferences from the Traditional Channel to the Convenience Channel. The convenience payment market grew from approximately €16 billion in 2012 to approximately €18 billion in 2015, representing a CAGR of 4.4% over the period. Alongside this trend, we have been able to increase our market share in the Addressable Payments Market, based on turnover, from 6.6% in 2012 to 9.5% in 2015. The Gaming and Payments Services markets have been resilient even in years of declining GDP growth in Italy. See "*Industry Overview*".

The markets in which we operate are highly regulated, and the relationship of industry participants with regulatory authorities and their ability to operate within the existing regulatory framework are critical factors for success. The ADM establishes criteria in tenders for gaming concessions, for example requiring bidders to show an extensive territorial

presence in Italy and expertise in the information technology processes necessary for the operation of a gaming network, which constitutes a significant barrier to entry for new, smaller and unsophisticated operators. We are also licensed by the Bank of Italy to operate as a payment institution to provide payment and financial services. We believe our long-standing and leading position in the market, our trusted brand, as well as our experience operating within the Italian regulatory framework, have contributed to our generally positive and open relationship with the regulatory authorities, with whom we are in regular dialogue regarding the development of the industry.

Diversified product portfolio with multiple distribution channels across Italy.

Historically, we have derived the majority of our profits from lotteries and betting. Over the years, we have progressively diversified our business profile, adding innovative games, such as Virtual Races, entering adjacent segments, such as Payments and Services, and implementing multiple distribution channels, from retail to online and mobile devices. We now offer a broad range of games, such as slot machines, VLTs, betting, traditional pool and prediction games, through multiple concessions with staggered maturities. Moreover, we have the exclusive concession, and therefore are the only operator in Italy, to operate NTNG lotteries, such as SuperEnalotto. For the twelve months ended March 31, 2016, our Retail Gaming and Lottery segments accounted for 41.3% and 14.5% of our EBITDA, respectively. In recent years, taking advantage of our capillary retail network of over 44,700 points of sales strategically located throughout the country, we have further diversified our business by expanding into payment services. Moreover, our well-recognized brand has allowed us to successfully launch and expand our online game offering. For the twelve months ended March 31, 2016, our Payments and Services and Online Gaming segments accounted for 32.1% and 12.1% of our EBITDA, respectively. The high level of diversification of our business has allowed us to maintain a stable level of profitability even in periods of economic downturns and mitigate the effects of increased gaming taxation.

For instance, our Payments and Services segment has not been affected by the changes recently introduced by the Italian 2016 Stability Law and has continued to display growth and a high level of profitability and cash flow generation, both in 2015 and in the three months ended March 31, 2016. For the three months ended March 31, 2016, the total estimated negative impact of the Italian 2016 Stability Law on gaming machines revenues and Retail Gaming EBITDA was €14.1 million and €4.8 million, respectively. Our diversified product portfolio has allowed us to offset this impact as we have witnessed strong performance from other business divisions, particularly due to a 5.8% increase in revenues and income in our Payments and Services business and a 9.9% increase in revenues and income in our Lottery business following the re-launch of SuperEnalotto, for the three months ended March 31, 2016.

High-quality and branded distribution network.

We have the largest branded Gaming distribution network in Italy and, including our affiliated points of sale, we have the second largest Gaming distribution network in Italy. As of December 31, 2015, our network consisted of 4,669 branded points of sale and 40,068 affiliated points of sale, for a total of 44,737 points of sale, which represents a 125% increase since December 31, 2006. Nearly all our points of sale offer Payments and Services. In 2015, post offices and bank branches, our main competitors in the Addressable Payments Market, comprised approximately 13,000 and approximately 32,000 locations, respectively, which demonstrates our prominent position in the market. Over the last few years, we have significantly expanded our Branded Channel network, which now includes WinCity gaming halls, Matchpoint shops and corners and SmartPoint points of sale. In the three years ended December 31, 2015, our Branded Channel network grew from 4,014 points of sale at the end of 2013 to 4,669 at the end of 2015. Our Affiliated Channel is primarily made up of bars, tobacconists and newsstands, strategically located throughout Italy.

Through extensive analysis and geomarketing tools, we carefully select points of sale to optimize our presence throughout Italy. We use information about consumer habits and socio-demographic characteristics gained from experience in the industry, along with customer contact at our directly-managed points of sales, in order to strategically tailor product offerings at each point of sale, maximizing earnings at each location. In addition, when a point of sale is not directly managed by us, we evaluate the retailer's proven ability in managing the business before partnering with the retailer. We continuously review the performance of our retail operations, and our marketing and sales teams monitor the performance of retailers, including via annual contract reviews. In connection with this review process, we seek to maximize our profitability, focusing on opening new points of sale in areas which we think have good earnings potential and closing points of sale with lower earnings potential. We have a long-standing relationship with a number of retailers, and we seek ways to reinforce such strong relationships, including through ongoing dialogue and sales and training initiatives.

Our Branded Channel points of sale have the highest performance across our distribution network in terms of Gaming and Payment and Services volumes, and allow us to capture a higher portion of the value chain, achieve higher margins and more quickly implement our strategic initiatives. Accordingly, the expansion of the Branded Channel network has contributed to increased stability of our profitability margins as well as our brand awareness. In 2013, we were the first company to introduce a new type of terminal dedicated solely to the Payments and Services market in new categories of points of sale (such as newsstands). As a result, our "service only" points of sale have increased from 1,542 at the end of 2013 to 6,605 at the end of 2015.

Leadership in product, service and customer experience innovation.

We have been a leading product innovator in the Italian Gaming market, from the invention of Totocalcio and Totip in the 1940s to the introduction of SuperEnalotto in 1997, Superstar in 2006, SiVinceTutto in 2011 and Eurojackpot in 2012. In developing new products, we leverage our 70-year operating history, in-depth knowledge of consumer behavior and ability to interpret changing preferences and habits. For example, during the recent economic downturn, we recognized the concerns of consumers about having a stable income to and through retirement. We used this understanding, along with rigorous product analysis and testing, to develop our popular Win For Life product, which allows players to win a monthly cash income over a period of up to 20 years—the first such product offering in Italy. Additionally, building on the success of the original SuperEnalotto game of chance, we re-launched the new and improved SuperEnalotto in February 2016. Consumers now have more incentive to play SuperEnalotto, including increased payouts and winning odds, richer jackpots and higher frequency and instant wins. Due to our extensive retail network, online portal and SuperEnalotto mobile application, consumers now also have several ways to play. In 2013, we also launched virtual betting (or "Virtual Races") on both our Branded Channel and online platform. Since then, Virtual Races have become one of the main drivers of our betting performance.

We strive to improve the customer experience. We have significantly expanded our online channel, which is now among the most extensive in the market and has the leading market share in terms of customer base and has grown in Italy from 12.9% in 2013 to 14.4% in 2015. Furthermore, we have developed mobile device apps to improve our customers' gaming experience and facilitate their access to our Payments and Services offering. In 2015, 33% of our total online gaming revenues were derived from mobile revenues. At the end of 2015, our online gaming offer included a portfolio of more than 350 different games, an increase from 264 at the end of 2013. In 2013, we introduced a new online platform for payments and services, with the aim of making our services available 24 hours a day and offering our consumers value-added tools for controlling, planning and archiving their payments. We also recently completed the roll-out of technologically advanced cashless payment devices in our distribution network to improve service quality and customer experience. Additionally, in 2013, we introduced our "service only" points of sale in bars, tobacconists, newsstands and supermarkets, where only Payments and Services are offered by the Group on an exclusive basis. Our service only network, consisting of 6,605 points of sale as of December 31, 2015, provides us with new channels for growth for our Payments and Services segment.

Well known and trusted brands built on a strong heritage.

We believe that our strong brand heritage and national recognition helped us to reach our current state of development and positions us well to capitalize on future opportunities. We were the first Italian company to operate in the gaming sector as a government concessions and we have been operating in Italy for 70 years. Our product portfolio includes a number of well-known brands, including Sisal, SuperEnalotto, Eurojackpot, SiVinceTutto, Matchpoint, SisalPay, Win For Life, WinCity, Sisal.it. We continuously look for ways to create new interest in existing branded products and we have been able to leverage on our widely recognized brands to develop new successful ones. For example, in line with our expansion strategy in the Payments and Services market, we launched the SisalPay brand in 2012, the first specific brand in the Convenience Channel, throughout our distribution network as well as, starting from June 2013, on the dedicated Sisalpay.it online platform and mobile applications. We believe the SisalPay brand has led to increased visibility of our Payments and Services offering in the market and has significantly contributed to the increase in our turnover, from €5.9 billion in 2012 to €8.1 billion in 2015. Over the years, we believe that we have one of most recognizable brands in the market and have developed a positive reputation among consumers as a trusted provider of safe and responsible gaming, which is integral to success in the Italian gaming market. We believe this positive reputation has also supported our expansion into convenience payment services, where a reputation for trust and reliability is critical. We support our reputation with a commitment towards corporate social responsibility, player protection and we participate in a variety of community initiatives in the arts, sports and youth outreach.

Successful history of renewing all Gaming concessions supported by our extensive retail network.

We have renewed each of our concessions to date, including our NTNG concession, and we believe we are well positioned to approach upcoming renewals. The concession legal framework in the Italian Gaming market includes two types of concessions: exclusive and multi-providing. Most gaming products, such as betting, gaming machines and online games, are operated by various concessionaires under multi-providing concessions, awarded to them subject to compliance with certain requirements and following the payment of an upfront concession fee. We have been able to renew all our multi-providing concessions over time. Lottery concessions, on the other hand, have historically been awarded to single operators under exclusive concessions. There are currently three lottery concessions, Instant Lotteries and Lotto, both operated by IGT, and NTNGs, operated by us. We have been the first and only ever concessionaire of SuperEnalotto since its introduction in 1997 and, in 2009, we were able to renew our NTNG concession, under which we operate SuperEnalotto, on an exclusive basis for additional nine years, until 2018. In the future, we will seek to continue to secure exclusive renewals of our concessions, similar to the recent renewal of the Lotto concession in April 2016 by an IGT-led consortium for an additional nine years and on an exclusive basis. The award of new concessions, or the renewal of existing ones, is subject to several requirements which vary depending on the type of concession and may include the existence of an extensive retail network. We believe our widespread distribution network, with over 44,700 points of

sale, represents a key strength in any concession renewal process and a significant barrier to entry for smaller operators. In addition, concessionaires require complex and effective IT infrastructures in order to manage the high volumes of gaming transactions generated under their concessions. For this reason, we have invested significant resources in recent years to develop an extensive integrated information and communication technology (ICT) network that, for the year ended December 31, 2015, managed transactions amounting to approximately €15.1 billion. In addition, as a result of our years of experience in the Italian Gaming market, we believe we have developed a collaborative relationship with ADM, including in connection with the improvement of gaming products. Recently, after cooperating with ADM for almost two years, we have been able to re-launch SuperEnalotto, offering players new appealing features, such as increased payouts (of up to 60% of amounts paid) and winning odds, richer jackpot and higher frequency wins, with the introduction of instant prizes of up to €25.

Highly experienced management team.

The members of our senior and middle management teams have significant experience in the gaming, convenience payment services and retail consumer goods markets. We have managers with a long track record of gaming experience at Sisal and others who have worked in senior positions at multinational companies in the retail and consumer sector or at financial institutions before joining us. Additionally, we have successfully attracted and retained young talent to management positions where we believe new perspectives can add value to our business. Our experienced team has already demonstrated its ability to grow our business, for example, through expanding our distribution network, diversifying our revenue sources, introducing innovative products and successfully executing accretive acquisitions.

Business Strategy

Further promote "multi-channel" gaming by leveraging our extensive presence in both offline and online channels.

Multi-channel development is a strategic priority for us in order to improve customer loyalty and game cross-fertilization. We operate a broad product portfolio and have a prominent presence across relevant channels, including retail, mobile and online. We believe that our extensive retail network presence is a key factor in building a trustworthy relationship with our customers and gives us the ability to advertise and attract our customers who wish to use our online and mobile channels and vice-versa. Furthermore, we believe our strong brand awareness and retail distribution network lead to increased customer traffic to our website, as some customers prefer using website platforms owned by players with physical retail networks as they believe these are more available and more reliable than those with only an online presence.

We have a multi-channel strategy to encourage retail customers to try online gaming as a complementary channel and not as a substitute to our retail channel. We will continue to adapt our channels (retail, mobile, online) according to our customers' preferences as they may change from time to time.

We have further developed our multi-channel strategy by leveraging synergies between our Retail Gaming and Online Gaming segments, including:

- *Brand positioning:* consistent brand positioning and advertising strategy, particularly for betting and lotteries.
- *Cross-selling activities:* on-line account opening through our extensive retail distribution network with specific promotions for retail and online consumers.
- *Customer care:* integration of online and retail loyalty programs. We offer online accounts top-up and winning collection as well as online consumer assistance in our retail points of sale.
- *Consumer interface:* mobile applications offering integrated value-added services to both retail and online customers (e.g. betting and lotteries applications can be used to place bets both via our online and retail channels).

As part of our multi-channel strategy, we have developed the following initiatives: (i) the creation of a database consisting of cross-referenced customer data from all our customer engagement points; (ii) holding SisalPay prize contests offering synergies and advantages to customers of both our Online Gaming and Payments & Services segments; and (iii) hosting online business events in our retail stores (e.g. WinCity) and opening retail business units events to our online business customers.

Through our referral scheme, approximately 4,000 and 11,000 retail customers were successfully referred to our online products for the three months ended March 31, 2016 and for the year ended December 31, 2015, respectively. We believe there are additional opportunities for us to continue to strengthen our multi-channel approach, including (i) the further roll-out of points of sale activating Online Gaming accounts (currently only 14% of our retail distribution network promotes our Online Gaming segment); (ii) the extension of information and activities managed with our customer profiling database; and (iii) the creation of a cross-business unit custom gaming platform, offering engagement opportunities combining multi-channel activity (e.g. integrated missions and awards given to customers who complete certain activities across our different channels).

Continue to expand and optimize our retail network, develop and launch innovative products, specifically in the online and mobile channels, and leverage on recently launched products.

We intend to capitalize on our knowledge of consumer behavior, as well as our network of gaming offerings and our online platform, by continuing to invest in innovative product offerings to reach an even broader customer base. We have increased the number of our online games from 10 in 2007 to 376 as of December 31, 2015. In December 2013, we launched Virtual Races on our Branded Channel and online platform and, since then, Virtual Races have become one of the main drivers of our betting performance, available on two different technological platforms. We intend to further invest in this product by launching a new and improved version of "football", our highest performing sport in Virtual Races. In addition, we have recently refreshed our NTNG range, introducing an updated version of our most renowned NTNG product, SuperEnalotto, in February 2016, offering players increased payouts and winning odds, richer jackpot and higher frequency and instant wins. We plan to further expand our portfolio of offerings through the launch of new products such as new VLT games and new online games, acting as a "first mover" where possible. Moreover, in compliance with the requirements of the Stability Law 2016, we will replace the current generation of our AWPs with new remote models by the end of 2019. We expect these remote AWPs to reduce the time to market for new games, thereby, enhancing consumers' experience. Through point of sale marketing and other efforts, we also aim to build consumer awareness of the ability to play our games on the Internet or on mobile phones in order to further grow our online customer base. Furthermore, we intend to continue our multi-channel approach, for both online gaming and VLTs, by adding more platforms to our systems in order to diversify, integrate and expand our gaming offering for consumers.

Additionally, we intend to continue to expand and optimize our existing retail network, which has grown by 125%, from 19,855 to 44,737 points of sale between December 31, 2006 and December 31, 2015. We expect to achieve this through organic growth and strategic acquisitions. We operate in a highly fragmented market, characterized by a large number of small independent participants. We believe this fragmentation presents an opportunity for us to acquire targets who hold products, technology or concessions, or are located in areas, that complement our existing platforms and offerings, in each case, at attractive valuations. We believe we have significant experience in identifying targets and executing accretive acquisitions, following a careful diligence process and we are continually looking for new businesses and opportunities to expand in categories and strategic locations throughout Italy where we believe we have critical mass and can develop a competitive advantage. Moreover, we continuously assess our retail network and strategically manage the balance between our Branded Channel and Affiliated Channel. We believe that the expansion and optimization of our retail network will enable us to achieve greater brand recognition and benefit from economies of scale, provide consumers with a better customer experience and help increase revenues and income by allowing us to capture a larger share of the gaming and Payment and Services value chain.

Further expand our Payments and Services business and increase marketing efforts to promote our "one stop shop" offerings.

We currently offer the ability to make over 500 types of payments and transfers through collaboration with over 90 partners, such as utility providers, prepaid credit card service providers, money transfer providers and mobile phone companies, generating Payment and Services turnover of €8.1 billion in 2015. Due to the low penetration of online and direct debit payment options as well as for cultural reasons, Italian consumers frequently seek to make cash payments through "local" channels such as bars and newsagents rather than through traditional channels such as post offices and bank branches, and we believe that the Addressable Payments Market, and particularly the Convenience Channel, will continue to grow. In addition to maximizing cross-selling opportunities with terminals that offer both Lottery and Payments and Services, we seek to further develop our service only distribution network in high-traffic areas with a low risk of saturation and where the existence of additional terminals will reduce or eliminate queue times. We have recently completed the roll out of contactless payment devices throughout our network, and we plan to incrementally expand our current offering of Payments and Services, including through new commercial partnerships, in order to appeal to even more consumers. We intend to continue to promote our points of sale as "one stop shops" that allow consumers to utilize our terminals to play games as well as pay bills and make other payments. In addition to the potential increase in

revenues and income from Payments and Services, we believe the "one stop shop" model provides an opportunity to develop more direct relationships with consumers and increase their loyalty and brand awareness.

Maintain our focus on profitability and cash flow.

We have consistently delivered strong financial performance, evidenced by high levels of growth, profitability and cash flow generation which has allowed for significant deleverage. Since 2008, we have de-levered from net leverage of 6.6x as of December 31, 2008 to 5.0x as of March 31, 2016, while adjusted EBITDA has grown by 34.8%, from €140.2 million to €189.0 million over the same period.

Despite challenging macroeconomic conditions (in 2012 Italian real GDP dropped by 2.9%) and despite the regulatory and fiscal headwinds that the Italian gaming market has faced, in particular following the Italian 2015 Stability Law, our free cash flow, excluding acquisitions and extraordinary items, almost doubled in the three year period from 2012 to 2015, driven by EBITDA generation and declining capital expenditure following cyclical patterns, technological renewal and refurbishment of our points of sale.

Furthermore, between 2012 and 2015, we have achieved approximately €21 million in cost savings related to, among others, (i) the renegotiation of telephone rates with telecommunications operators, (ii) the outsourcing of our call center, (iii) the renegotiation of rent fees for many of our points of sales, and (iv) the renegotiation of our hardware and software maintenance contracts.

Our ability to generate cash is further supported by our structurally negative working capital due to collection of cash from the network on a regular and frequent basis (weekly or bi-weekly) while we pay our suppliers on standards credit terms, on average between 90 and 120 days.

For the twelve months ended March 31, 2016, we had operating cash conversion, representing the ratio of EBITDA less capital expenditures divided by EBITDA, of 82%. Going forward we will continue to carefully assess the potential for earnings, cash-flow stability and growth when we evaluate the performance of our operations and new investment opportunities. For example, before we participate in a tender for a concession, we extensively analyze the terms, including potential payback, taxes and any required upfront payments, as well as the ability to build on our existing brands and distribution network. We participate in tenders only on terms that we believe are attractive. In 2009, for example, we agreed to pay €15,000 per machine for the right to operate approximately 5,000 VLTs. In contrast, in 2010 we did not seek to outbid a competitor for the concession to operate the scratch and win game, which, we understand from public statements, involved an upfront payment of approximately €800 million by a consortium led by Lottomatica. We use a similar disciplined approach when it comes to acquiring businesses and assets, and we consider the impact on profitability when setting payout rates and odds in relation to legal minimums on gaming products. Furthermore, we will continue to seek to reduce costs in our business through contract renegotiations, optimization of work shifts and other cost saving initiatives, including in connection with our marketing activities and distribution network. We also aim to generate cash and reduce our leverage by focusing on profitable and sustainable growth, including through a product mix shift towards our higher margin products and services and the expansion of our Branded Channel network.

History of the Group

We were established in 1946 and were the first Italian company to operate in the gaming sector as a government concessionaire. During the post-World War II era of reconstruction, we invented a football pool game called the "Sisal play slip" (now known as Totocalcio), which grew in popularity alongside the sport, so much so that "Playing Sisal" became a saying or expression of a community tradition synonymous with having fun.

In 1948, we launched Totip, a horse race-based prediction game, and reached 11,000 points of sale nationwide. Over the years we have sought to remain in touch with the changing needs of Italians, launching a number of new products, including Tris in 1991 and SuperEnalotto and SisalTV in 1997.

In 2002, we expanded into the convenience payment services sector and in 2004 we acquired Matchpoint betting and we also launched a range of online games. In 2005, we entered into the slot machines business and, in 2006, we created and introduced a new formula of optional and complementary gaming for the SuperEnalotto pool, known as Superstar, and completed the launch of the activities of Sisal Slot S.p.A, through the transfer of licensing and provider activities to the Gaming Machines and the purchase of control of the rental and management activities from Magic Matic S.p.A. In 2007, we entered the bingo sector through the establishment of Sisal Bingo S.p.A. (which was subsequently merged into Sisal Entertainment as its bingo segment). In September 2015, we disposed of our only physical bingo venue.

In 2009, we signed a concession agreement with ADM for the exclusive right to exercise and manage Italian games of chance (*National Totalizator Number Games*, NTNG), by directing and developing the distribution network for the sale of the SuperEnalotto, SuperStar, SiVinceTutto, Win For Life and Eurojackpot NTNGs or any other NTNG that ADM wishes to sell. In the same year, along with other concessionaires, we were authorized by ADM to install 4,924 VLTs. We also launched our Social Responsibility strategy, developing a comprehensive plan of initiatives aimed at the community and a detailed program for Responsible Gaming, which promotes balanced, sensible playing, focused on

preventing playing by minors as well as excessive gaming. In the same year we published the first Group Corporate Social Responsibility Report.

In 2010, we opened our Sisal Wincity chain of entertainment spaces in Milan, an innovative retail concept that brings together gaming and entertainment, which has since expanded to several major cities in the country, including Rome, Turin and Brescia. In 2011, we acquired the Ilio Group, adding 32 new shops and 68 corners to our portfolio.

In 2013, we acquired a 60% holding in Friulgames S.r.l., an Italian operator that manages more than 2,100 Gaming Machines and we acquired the sports betting business unit of Merkur Interactive Italia S.p.A., consisting of 104 sporting rights. We also launched a new retail format, Smartpoint, with the introduction of branded points of sale offering the entire portfolio of Sisal products, with the exception of the betting products (lotteries, gaming machines and payment services). In the same year, we began redefining our strategy for managing and controlling the business. Specifically, the business, previously organized into three operating segments (Entertainment, Lottery and Digital Games and Services), was modified into four operating segments: Retail Gaming, Lottery, Online Gaming and Payments and Services. In the same year, Sisal Holding Istituto di Pagamento S.p.A.'s Extraordinary Shareholders' Meeting resolved to amend the company's name to Sisal Group S.p.A.

In 2014 we acquired a 100% stake in ACME S.r.l., an Italian manufacturer of gaming, cabinet and money changer machines, and we introduced in our entire retail network cashless payment systems, equipped with contactless technology. At the end of 2015, we acquired the remaining 40% holding in Friulgames S.r.l.

In February 2016, we re-launched SuperEnalotto, offering customers increased payouts and winning odds, richer jackpot and higher frequency wins with the introduction of instant prizes.

On May 27, 2016, Schumann Holdings S.à r.l., an entity owned by CVC Funds, entered into a sale and purchase agreement with the Seller to acquire, directly or indirectly, all the issued and outstanding shares of Sisal Group S.p.A. and, subsequently, assigned all its rights and delegated all its obligations under the Acquisition Agreement to the Issuer on June 13, 2016. See "*The Transactions*".

Distribution Network

The Group has a distribution network of 44,737 points of sale as of December 31, 2015, divided into two different physical channels, the Branded Channel and the Affiliated Channel, as well as the online channel.

The table below illustrates the Group's distribution network as of December 31, 2015, indicating the typical products offered in each of the various distribution formats.

			Product Offered				
Channel	**Format**	**Number Betting**	**Betting**	**VLTs**	**Slot Machines**	**Lottery**	**Payments and Services**
Branded Channel	WinCity[1]	21	✓	✓	✓	✓	✓
	Matchpoint Shops[2]	361	✓	✓	✓	✓	✓
	Matchpoint Corners[3]	3,835	✓		✓	✓	✓
	SmartPoint	452			✓	✓	✓
	Total Branded Channel	**4,669**					
Affiliated Channel	POS[4] with Entertainment Devices, Lotteries, Payments and Services	3,562			✓	✓	✓
	POS solely with Entertainment Devices	3,766		✓	✓		
	POS with Lotteries, Payments and Services	26,135				✓	✓
	"Service Only" POS	6,605					✓
	Total Affiliated Channel	**40,068**					
Total Group Network[4]		**44,737**					

Notes:

(1) Out of 21 active WinCity, 14 offer both sports and horse betting, 6 only offer sports and 1 does not offer betting.

(2) Out of 361 active shops as of December 31, 2015, 299 offer both sports betting and horse bettings.

(3) 4,041 Group rights plus 1 right used for technical test, 3,835 authorized corners and 206 not yet set up for gaming.

(4) "POS" refers to points of sale.

Branded Channel

As of December 31, 2015, the Branded Channel included 4,669 points of sale directly identifiable with the Group's proprietary brands. This channel refers to two types of points of sale:

- *points of sale dedicated to gaming activities and directly managed by the Group.* This category includes the 21 WinCity points of sale that are directly managed by the Group and the 361 MatchPoint shops (some of which operate based on partnership contracts). These are points of sale dedicated to gaming with a size of 250 square meters to more than 1,000 square meters, in locations that attract a large consumer base; and
- *points of sale, the primary activity of which is not gaming;* these points of sales are linked to the Group according to a shop-in-shop model. This category includes (i) 3,835 MatchPoint corners and (ii) 452 SmartPoint. Both the corners and the SmartPoint are third-party points of sale operated according to the shop-in-shop model, in which the Group manages the product offering, the layout design, signs, information materials and marketing of the gaming areas through its sales force. Furthermore, for these points of sale the Group has developed commercial and training initiatives.

The points of sale in the Branded Channel are not just the points of sale with the highest performance across the entire distribution network in terms of gaming volumes, but also represent the format through which the Group is able to capture a higher portion of the gaming value chain, achieving higher margins. See "*Industry Overview"* for the description of the compensation value chain of the gaming sector. Specifically, through the model developed in the Branded Channel, the Group is also compensated for the component of the value chain related to the retailer, in addition to concessionaire compensation, as in the case of WinCity and the MatchPoint shops, and for the component for slot machine "operator", as in the case of the MatchPoint corners and the SmartPoint.

Affiliated Channel

As of December 31, 2015, the Affiliated Channel included a network of 40,068 points of sale by third parties in which the Group distributes its products associated with lotteries and Gaming Machines as well as Payments and Services. These points of sale are divided into:

- Points of sale with Gaming Machines, lotteries and Payments and Services;
- Points of sale with lotteries and Payments and Services;
- Points of sale solely with Gaming Machines; and
- "Service Only" points of sale, offering exclusively Payments and Services.

This channel includes both points of sale such as bars, tobacconists and newsstands, whose offering is not generally associated with the Gaming or Payments and Services markets, as well as points of sale exclusively dedicated to the Gaming Machines offering. The Affiliated Channel allows the Group to reach a wider range of consumers due to its widespread presence throughout the country, which both complements and enhances the distribution through the Branded Channel.

Within the Affiliated Channel, there are 6,605 "Service Only" points of sale, located in businesses such as bars, tobacconists, newsstands and supermarkets, in which the Group offers exclusively Payments and Services.

Affiliation Fees

The 26,135 third-party points of sale that offer NTNGs or Payments and Services, the 6,605 "Service Only" points of sale, the 3,835 MatchPoint corners and the 452 SmartPoint pay a fee to the Group for commercial, technical, systems and insurance services, as well as for local exclusivity, which totaled €78.4 million for 2015.

The Group also distributes its products and services through online platforms managed by the dedicated operating segments.

Operating segments

We operate through four operating segments: Retail Gaming, Lottery, Online Gaming, Payments and Services.

Retail Gaming

The Retail Gaming operating segment manages the business associated with Gaming Machines, betting and oversees the Branded Channel and part of the Affiliated Channel.

The table below shows the key performance indicators for the Retail Gaming operating segment for the three months ended March 31, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013.

in millions of Euro	Three months ended March 31, 2016	Three months ended March 31, 2015	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Turnover	1,239	1,187	4,699	4,784	4,708
Revenue	111.0	116.5	487.9	530.2	491.7
EBITDA	21.3	18.0	75.4	90.5	80.8
EBITDA margin (%)	19.2 %	15.5 %	15.5 %	17.1 %	16.4 %

For the year ended December 31, 2015, the EBITDA margin for the Retail Gaming segment was 15.5%. Within the segment, Branded Channel EBITDA margin was 18% while the Affiliated Channel EBITDA margin was 13%.

Gaming Machines

Since 2004, we have been one of the ADM concessionaires operating the network for remote management of games by means of Gaming Machines.

Specifically, pursuant to applicable regulations, Gaming Machines may only be operated when connected to the ADM central system through the concessionaire. Through this system, Sogei S.p.A. ("Sogei"), the information and communication technology service provider company, appointed by ADM, manages and controls all of the data and information relative to Gaming Machines, as well as compliance with all of the related administrative and tax obligations according to governing regulations. The concessionaire provides the connection service for the Gaming Machines and is responsible to ADM for administrative obligations, collections and payment of taxes. The operations of all of our Gaming Machines are monitored remotely through data centers located at our offices and nearly all of the amounts collected are processed through an automatic collections procedure. Based on our ADI Concession, and through our information and electronic infrastructure, we: (i) provide connectivity services to the central system for Gaming Machines managed by third parties; and (ii) as operator, directly manage the Gaming Machines connected to our network.

The table below provides the number of our Gaming Machines as of December 31, 2015.

Slot Machines (no.)		Slot Machines (no.)		
Branded Channel	Affiliated Channel	Concessionaire (Interconnection)	Operator + Concessionaire (Interconnection)	Operator only
11,473	20,865	15,098	17,130	110
Total: 32,338			**Total: 32,338**	

VLTs (no.)	
Branded Channel	Affiliated Channel
2,927	2,272
Total: 5,199	

Slot Machines

Slot machines are predominantly located in points of sale in the Affiliated Channel, at Matchpoint shops and corners, smartpoints, as well as in the 21 WinCity gaming halls, and have an average useful life of six years for the device hardware and three years for the gaming software. In accordance with applicable regulations, the winnings for each play cannot exceed €100 for slot machines. Each play cannot last less than four seconds, with a cost for each play not greater than €1, paid exclusively in cash.

The value chain in 2015 for the Slot Machines operating segment is shown in the table below (*Source*: value chain compensation breakdown based on Company internal estimates).

Turnover	100.0%
Pay-outs	74.0% legal minimum; 74.3% average market percentage
Taxation (PREU + license fee)	13.3% (13.0% PREU + 0.3% license fee)
Value chain compensation	12.7%
—of which to the concessionaire	4%
—of which to the operator	42%
—of which to the retailer	54%

We also deduct from our revenues and income 0.5% as a security deposit to ADM, which is subsequently reimbursed once a year, in whole or in part, subject to our compliance with certain service and quality requirements. In cases where we do not own the machine, we also pay the owner of the machine a commission to rent the machine. As of December 31, 2015, we owned 17,240 slot machines, representing 100% of the machines for which we act as operator. Furthermore, as of December 31, 2015 we had a broad portfolio of 159 games for slot machines.

Video Lottery Terminals

VLTs are gaming machines introduced for the first time in Italy in 2009 as part of the so-called "Abruzzo Decree". Pursuant to the ADM decision of October 20, 2009, Sisal Entertainment was authorized to install 4,924 VLTs. In 2013 we were authorized to install additional 600 VLTs. As of December 31, 2015, we had installed 5,199 VLTs, which represents 94% of the total rights. Furthermore, as of March 31, 2016, we operated three different technological platforms through which we offer 73 games.

VLTs are technologically more advanced than traditional slot machines and offer innovative graphic characteristics and multiple gaming options, as well as higher winnings. One of the innovative characteristics of VLTs is the possibility to update their software remotely with new games. Additionally, as opposed to traditional slot machines, these machines allow the possibility of winning jackpots (which are higher) both in the gaming hall and shared across the network of machines with same platform. Another difference compared to slot machines is that VLTs can only be located in spaces dedicated to gaming, according to governing regulations. As of December 31, 2015, 56% of our 5,199 installed VLTs were located in dedicated areas in Matchpoint shops and in WinCity gaming halls, while the remainder were located in third-party gaming halls. Finally, VLTs have an average useful life of six years, exclusively associated with the use of the hardware, as the software can be updated remotely.

The maximum cost for an individual play varies between €0.50 and €10. Payments are made with cash, ticket-based systems, prepaid cards, named gaming accounts used via smart cards or by using credits from previous winnings. The maximum winning disbursed in gaming halls is €5,000, with a jackpot maximum in gaming halls of €100,000, and maximum in the shared network winnings of €500,000.

The 2015 value chain for the VLT segment is provided in the table below (*Source*: value chain compensation breakdown based on Company internal estimates).

Turnover	100%
Pay-outs	85% legal minimum; approximately 89.4% average market percentage
Taxation (PREU + license fee)	5.3% (5.0% PREU + 0.3% license fee)
Value chain compensation	9.7%
—of which to the concessionaire	37%
—of which to the technology partner	11%
—of which to the retailer	53%

0.5% of our compensation is deducted as a security deposit for ADM, under a mechanism similar to the one described above for slot machines.

Betting

We operate in the fixed-odds betting sector as well as totalizer betting (hereinafter "Betting"). We operate in this sector on the basis of Betting Licenses granted by ADM. For more information on Betting Licenses, see "*Regulation*". In particular, since 2004, based on licenses owned, we collect: (i) fixed-odds betting on events other than horse racing, which may include sporting events of other types (such as football or tennis), as well as betting on popular events and traditions; (ii) betting on domestic and international horse races; (iii) totalizer sports betting pools (Totocalcio, il 9 and Totogol); (iv) horse racing pools (V7); (v) sporting games of chance (Big Match and Big Race); and (vi) totalizer horse racing betting, at fixed-odds. Furthermore, as concessionaire, we are responsible for managing the network and monitoring betting, setting the odds, collecting wagers and collecting and paying taxes due to ADM on the total amounts wagered in sports and horse racing.

As of December 31, 2015, we offered customers the opportunity to bet on sports, horse racing and other popular events at the 20 WinCity gaming halls, 361 Matchpoint shops and 3,835 corners, of which 974 are dedicated to sports betting and 2,861 are dedicated to horse racing. To collect the wagers, we use both physical and online channels.

In 2015, we distributed winnings amounting to over 79% (percentage referred only to bets through retail channel, excluding bets through online channel) of the total collected for sports betting, compared to a market average of approximately 81.6% for 2015, and paid 4.1% of said amount to ADM as administrative charges. The amount remaining after winnings and taxes constitutes our revenue. If the bets are not collected at an agency directly managed by us or online, a sales commission is paid to the partners of the distribution network. The most popular event for betting is undoubtedly football, which represented 85.7% of sports betting turnover for the year ended December 31, 2015. As the Italian football season lasts from the end of August to mid-May, during the summer there is a significant drop in wagers collected for sports betting. On the other hand, we experience peaks in sports betting collection during cyclical and highly popular sporting events such as the FIFA Football World Cup, the UEFA European Football Championship and the Olympics. Approximately 17.4% of the collection for sports betting derived from live betting, which also allows for betting during the sport event.

In 2015, we distributed winnings amounting to 69.2% of the total bets collected for horse racing betting, consistent with the average historical value, and paid administrative charges of 17% of said amount to ADM, which in turn allocated a

fraction of said tax to UNIRE, the Italian association responsible for horse racing betting. For fixed-odds betting on horse racing, the amount of the tax paid to ADM varies according to the number of events on which the bettor played (specifically, the rate is 2% for the first seven events and 5% for additional events). If the bets are not collected at an agency directly managed by us or online, a sales commission is paid to the relative partner corners or shops in the network. The amount of the commission depends on both the number of wagers accepted as well as the agency or corner's performance. As horse races are held throughout the year, this segment does not experience seasonality fluctuations, unless there are labor strikes or other extraordinary events.

Betting can be either fixed-odds or totalizer and ADM establishes the events on which bets can be placed.

Fixed-odds Betting

Fixed-odds betting represented 96% of the volume of sports betting on the physical channel and 66% of the volume of horse racing betting on the physical channel in 2015.

In a fixed-odds bet, the bookmaker pays the winning bettor a sum equal to the amount wagered multiplied by the (individual or multiple) odds set upon accepting the bet, regardless of the number of winners. The concessionaire's revenue from fixed-odds betting consists of the amount of bets collected net of related outlays. The concessionaire bears the cost of paying out winnings. The odds set in fixed-odds betting depends on the type of event and the concessionaire earns money if the total amount of bets collected is greater than the winnings to be paid to bettors.

The maximum winnings on each individual sports bet or multiple bet cannot exceed €10,000 and €50,000, respectively. On the other hand, in horse racing betting, there is no limit on winnings. Nevertheless, we constantly monitor total risk exposure in order to keep it in line with our risk management policy. This monitoring takes the form of setting limits on the value of wagers and on our potential risks, for which the bets must be communicated (or communicated following acceptance) or deferred to evaluation by a central office. Bets that are subject to deferment are considered accepted only following management approval, which involves a review of potential risks to which we are exposed based on the most recent information about the event and any historical series of bets wagered by the specific customer. These pre-established limits are programmed into our terminals to avoid operator error. Despite the fact that the obligation to pay winnings on these bets is, in principle, unlimited, we are not required to accept every bet and, as described above, accept bets only under certain conditions in order to limit our exposure to risk. The online sports betting system has an automatic procedure by which the limits for risk assumption are pre-established by management within the system for collecting wagers based on certain events for generic customers or, if necessary, for specific customers.

Risk management is an important factor for our activities and, specifically, for fixed-odds betting. The bookmaker's odds are set so as to provide an average profit to the bookmaker over the long term. Hence, there is variation in revenue by day and by event. There is no assurance of receiving revenue, but we may suffer losses.

The risk of incurring losses is mitigated by the large number of wagers collected on a significant number of events. Additionally, considering the extent of the distribution network across all of Italy and the fact that the majority of sports bets involve football matches, the risk of negative outcomes on individual events is mitigated by the customers' tendency to bet on their favorite team. The initial odds are set according to the mathematical probability of an outcome given previous outcomes, to which corrective factors are applied based on market information. Once the odds are set and published, specific procedures for risk management are activated in real time in order to monitor and correct the overall level of risk on each event. In addition to the information derived from our knowledge of the betting business, includes the sports and players involved, our bookmakers rely on services that monitor market data for betting provided by Betradar, the leading supplier of outcomes for sporting events, statistics and odds, in order to limit the risk of setting odds out of the market. This allows us to determine the probability of each possible outcome based on a large quantity of updated information and to calculate our potential exposure to relation to each possible outcome, as well as verify if bets should be accepted only in relation to certain outcomes.

The risk of incurring losses is also reduced through our risk management procedures.

Totalizer bets

Totalizer bets and sports pools are a form of betting in which the wagers are collected in their entirety prior to an event and the sum total of these wagers, less a certain percentage, is distributed to the winners. In this segment, the concessionaire is not exposed to any risk with players, because the winnings cannot exceed the sum total of the wagers and compensation is earned as a commission on the volume of wagers collected. This segment includes some traditional games that are well-recognized with the general public, such as Totocalcio, Totogol, Tris and Big Match.

Virtual betting or virtual races

In December 2013, we launched virtual betting on our Branded Channel. As of December 31, 2015, 3,921 points of sale offered virtual betting, compared to 315 points of sale activated as of December 31, 2013. Virtual betting has become one of the main drivers of our betting performance.

The Branded Channel

As of December 31, 2015, the Branded Channel included 4,669 points of sale directly identifiable with our proprietary brands. The Branded Channel is the best performing and most profitable part of our business, due to the greater control of the gaming value chain that the points of sale in this channel allow.

A brief description of the various formats of the points of sale we use in the Branded Channel is provided below.

WinCity

As of December 31, 2015, we directly managed 21 WinCity gaming halls, a proprietary brand, located in several major cities in the country, including Milan, Rome, Turin, Brescia, Catania and Florence.

We believe that the format of the points of sale in the retail channel have evolved in recent years, from traditional "sports bars" to multi-functional centers that provide the general public with a wide range of entertainment and service options. For this reason, in September 2010, we launched WinCity gaming halls inviting our customers to 'eat, drink, play'; in other words, WinCity is a place where customers can play games or take part in organized events in a pleasant and safe environment, or simply enjoy the food and drink. The first two WinCity gaming halls were inaugurated in Milan and Rome, respectively in August and October 2010. Since then, we have opened several WinCity gaming halls in major cities across the country. In December 2013, we launched in Milan the first WinCity Small, a new gaming hall format, based on the same concept but smaller than WinCity halls. WinCity Small gaming halls do not necessarily offer betting, but are more focused on Gaming Machines, and the restaurant service is replaced with a bar service.

The points of sale under the WinCity brand are all directly managed by us with our own employees. The current average number of employees in the individual gaming halls is 15 for WinCity, and approximately seven for WinCity Small. Our employees present in the gaming halls provide players with information on playing instructions, security and game levels, with the objective of entertainment and responsible gaming.

The average size of the WinCity gaming halls is 1,000 square meters. The WinCity gaming halls are located in the centers of large Italian cities characterized by a large population and selected following detailed geo-marketing analysis. WinCity gaming halls offer an average number of 74 Gaming Machines.

The target average size of the WinCity Small gaming halls is 300 square meters. The WinCity Small gaming halls will be located in Italian cities or high-potential zones, suitable for the characteristics of the population and the general public. WinCity Small gaming halls offer an average number of 38 Gaming Machines.

The WinCity format allows us to have complete vertical integration and, therefore, to function as concessionaire, operator and retailer. In addition, direct management of WinCity provides us with exclusive control over the product options offered within this format.

Matchpoint Shops

As of December 31, 2015, we had a network of Matchpoint shops, a proprietary brand, with 361 points of sale, of which: 299 offer sports and horse racing betting, 62 offer exclusively sports betting. Points of sale are distributed through Italy, according to Nielsen areas, as follows: 83 North West, 69 North East, 68 Center, 141 South. In 2013 we were awarded 130 concessions for sports betting, specifically 101 in June 2013 as the result of a call for tenders to award betting shop rights and 29 in November 2013 following the acquisition of the Merkur-Win going concern. Following the acquisition of the Merkur-Win going concern, we were awarded an additional 75 sports betting shops, which were rebranded under the Matchpoint brand.

We own the concession rights under which each shop operates. Each Matchpoint shop has a minimum of three terminals for betting. In addition to sports and horse racing betting, the Matchpoint shops offer all of the other Sisal products, such as those in the Lottery operating segment, Slot Machines, VLTs and Payments and Services. Inside the Matchpoint shops, we have exclusive control over the choice of products offered. Matchpoint shops also have bars offering refreshments.

The current average number of employees in an individual Matchpoint shop is six. The current average size of a Matchpoint shop is 250 square meters for each room. Matchpoint shops offer an average number of 14 Gaming Machines.

The shops are managed according to two distinct methods:

- Direct management shops, in which we directly manage the operations of the point of sale through our own employees, with property rental and operating costs borne by us.
- Partner shops, with an exclusive contract for qualified and selected partners, whose operations are constantly monitored by our dedicated sales team, which continuously reviews performance, decides the product offering and develops marketing initiatives. We remunerate the Partners through variable compensation proportional to revenues. According to the various partnership agreements, certain costs, such as rental fees, are incurred directly by us.

The Matchpoint shop format allows us to have complete vertical integration, enabling us to operate as concessionaire, operator and retailer.

Matchpoint Betting Corners

As of December 31, 2015, we owned 4,041 rights to operate corners. We have one additional right used for technical tests. As of December 31, 2015, we activated 3,835 corners under the MatchPoint brand, located throughout the country, while the additional 206 rights are not yet enabled for gaming. Points of sale are distributed through Italy, according to Nielsen areas, as follows: 882 North West, 602 North East, 843 Center, 1,508 South. The term 'corner' means commercial spaces dedicated to gaming and betting, located in points of sale such as bars and cafeterias whose primary activity is not gaming and betting.

Each corner operates based on betting license rights owned by us. Each Matchpoint corner has a maximum of two terminals for betting. The current average size of a Matchpoint corner is 30 to 120 square meters for each location. In addition to sports and horse racing betting, the Matchpoint corners offer other Sisal products, such as Lotteries, Slot Machines (averagely two and up eight for corner) and Payments and Services. Inside the Matchpoint corner, we have exclusive control of the choice of gaming products offered.

Our corners are managed by partners with a shop-in-shop model. Matchpoint corners are managed through a partnership structure in which the corner's costs for employees, the rental contract for the site and operating costs are borne by the partner, who receives variable compensation from us based on revenues earned.

The applicable regulations allow us to set up Matchpoint shops and corners in geographic locations with the best prospects for results. As such, in the financial year ended at December 31, 2015, we relocated 153 Matchpoint corners with unsatisfactory performance to sites with greater economic potential.

Matchpoint corners allow us to capture a larger portion of the value chain, meaning we may operate as concessionaire and operator.

SmartPoint

As of December 31, 2015, we had 452 SmartPoint locations, a proprietary brand. SmartPoint are points of sale managed by third parties, in which we offer, through a shop-in-shop model, slot machines, lotteries, payments and services and a renewed customer experience to the Sisal product offering, through the most advanced devices. Points of sale are distributed through Italy. We select these points of sale from our Affiliated Channel based on their sales performance, and identify new points of sale based on those with the greatest potential that are not currently part of the Sisal network.

The SmartPoint format helps us capture a larger portion of the value chain, allowing us to operate as concessionaire and operator.

The table below shows the key performance indicators for the Branded Channel for the three months ended March 31, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013.

	As of March 31,		As of December 31,		
	2016	2015	2015	2014	2013
Points of sale (#)	**4,501**	**4,203**	**4,669**	**4,364**	**4,014**
Wincity (#)	21	19	21	17	7
Matchpoint Shops (#)	364	366	361	364	312
Matchpoint Corners (#)	3,576	3,548	3,835	3,805	3,689
SmartPoint[(1)] (#)	540	269	452	177	5
Bingo (#)	—	1	—	1	1
Slots (#)	**11,314**	**10,424**	**11,473**	**10,161**	**9,707**
No. of Slot in providing	1,784	1,695	1,890	1,590	1,725
Daily coin-in (€), yearly average	197	201	195	195	198
VLTs					
VLTs (#)	2,990	2,783	2,927	2,231	2,301
Daily TVP (€), yearly average	976	962	934	883	1,107
Betting					
Total turnover (€M)[(1)]	199.9	215.0	765.4	765.9	533.4
Sport turnover (€M)[(2)]	120.7	124.9	434.5	434.9	397.1
Sport pay-outs[(3)]	78.1	80.8	79.2	76.8	77.2
	%	%	%	%	%

Notes:

(1) Includes Tris and pool games.

(2) Includes pool games.

(3) Average physical channel payout, it does not include online channel payout.

Affiliated Channel

The Retail Gaming operating segment distributes its products through 7,328 affiliated points of sale, as part of a total of 40,068 belonging to the Affiliated Channel as of December 31, 2015. Of these, 3,562 are points of sale where the primary activity is not gaming, and 3,766 are points of sale where the sole activity is the operation of Gaming Machines.

1. Affiliated points of sale where the primary activity is not gaming (with Gaming Machines, Lotteries, and Payments and Services)

These are points of sale with which we have a solid relationship, but do not have exclusive control over the product options offered in this format. These points of sale consist of third party commercial businesses whose primary activity is not gaming and in which we operate our slot machines, or provide a third-party operator with a connection service for slot machines to public administration systems. In these points of sale, we also generally offer our lottery and Payments and Services products.

2. Points of sale where the sole activity is the operation of Gaming Machines

These are halls for gaming (excluding betting) in which we operate our Gaming Machines. In these gaming halls, managed by third parties, we do not have exclusive rights over the machines installed.

The table below shows the key performance indicators for the Affiliated Channel as March 31, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013.

	As of March 31,		As of December 31,		
	2016	2015	2015	2014	2013
No. of points of sale	**7,026**	**7,790**	**7,328**	**8,930**	**10,390**
Points of sale with Gaming Machines only	3,572	4,024	3,766	4,493	5,072
Points of sale with Gaming Machines, Lotteries, and Payments and Services	3,454	3,766	3,562	4,437	5,318
Slot Machines					
Total no. of slots	19,449	22,219	20,865	22,865	29,411
No. of Slot in providing	12,153	13,852	13,208	14,185	18,549
No. of slots managed	7,296	8,367	7,657	8,423	10,862
Daily coin-in (€), yearly average	193	184	183	175	163
VLTs					
Total no. of VLTs	2,344	1,889	2,272	1,533	2,283
Daily TVP (€), yearly average	1,057	1,033	1,024	938	1,023

The Retail Gaming operating segment has 1,035 employees as of December 31, 2015.

Lottery

From 2009 to the end of June 2018, we are the exclusive concessionaire for NTNGs, having secured a license renewal. NTNG products operate as follows: (i) players predict a combination of numbers according to the specific characteristics of each game, or by choosing to play a random combination of numbers; (ii) a single jackpot is accumulated based on a set percentage of wagers collected on a national basis; and (iii) the jackpot is divided into equal parts among the winners of said categories of winnings.

The table below shows the key performance indicators for the Lottery segment for the three months ended March 31, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013.

	As of March 31,		As of December 31,		
	2016	2015	2015	2014	2013
Turnover (€M)	324	270	1,046	1,179	1,366
Revenues (€M)	21.0	19.1	74.5	84.6	98.4
EBITDA (€M)	7.3	7.5	27.8	27.8	36.7
EBITDA Margin (%)	34.8%	39.3%	37.3%	32.9%	37.3%
No. of points of sale	34,243	35,055	34,366	35,109	37,021
Pay-out (%)[(1)]	54.7%	42.0%	42.0%	42.0%	41.6%

Notes:

(1) Average pay-out of all NTNG products.

The NTNG products we offer include:

(i) SuperEnalotto, and its optional and complementary game, SuperStar. SuperEnalotto is one of the most popular games in Italy, replacing the well-known Enalotto, which dates back to 1950. As opposed to other lotteries, the jackpot amount does not return to zero after the previous drawing, but starts from a progressive and proportional amount allocated to the amount of the previous carry over. The lottery involves a number of players that grows in function to the increase in the jackpot, and for particularly high jackpots, there have been as many as 20 million players. The game is played by choosing six numbers between 1 and 90, inclusive. SuperEnalotto was re-launched in February 2016 with new appealing features, offering players increased payouts and winning odds, richer jackpot and higher frequency wins with the introduction of instant prizes. There are now seven (increased from five) opportunities to win: by guessing all six numbers extracted, five numbers plus a wild card number called Jolly number, or five, four, three or even two numbers extracted, as well as by guessing all four numbers contained in a dedicated area of each SuperEnalotto ticket, which entitles the player to receive an instant prize of €25. As a consequence, average payout has increased from approximately 35% to approximately 60%. The game wager is €1.0 per combination, and the minimum is one combination. It is possible to bet up to a maximum amount of 27,132 combinations. SuperStar complements SuperEnalotto by allowing players to choose an additional number, between 1 and 90 inclusive, to those already selected, increasing the probability of winning and increasing prizes. The game wager is €0.5. The SuperEnalotto drawings are held three times per week and are independent of the lotto drawings. In the period between 1997 and 2015 SuperEnalotto distributed winnings of approximately €13.7 billion. Since its re-launch in February 2016, SuperEnalotto turnover increased to €113.6 million in March 2016 from €71.3 million and the jackpot increased to €93.4 million from €92.5 million.

(ii) Win For Life, a pari mutuel game, has two variations—Win For Life Classico and Win For Life Grattacieli—that allow players to win the largest prize of a monthly annuity of up to €3,000 or €4,000, respectively, for a period of 20 years. We were the first in Italy to introduce this type of game based on an annuity. In addition, Win For Life Grattacieli provides an immediate prize of €100,000. The Win For Life drawings occur every hour for the Classico version and every five minutes for the Grattacieli. The average pay-out for Win For Life games is 65%. Immediately after its launch, in February 2010 Win For Life reached 9.5 million consumers and an overall brand awareness of 59.8%.

(iii) VinciCasa, a pari mutuel game, was launched in 2014 and allows players to win a cash amount, 80% of which is to be used for the purchase of one or more real estate properties within two years from the win, and 20% of which is paid cash and may be freely used by the winner. The game is played by choosing five numbers between 1 and 40, inclusive. Guessing all five numbers entitles the player to win the mentioned real estate prize, but there are also other three opportunities to win smaller cash amounts by guessing four, three, or two numbers. The VinciCasa drawings occur on a weekly basis and the average pay-out is 65%.

(iv) Launched in 2011, SiVinceTutto is a game played in a similar manner to SuperEnalotto, but in which the jackpot accumulated in the game is distributed in a single drawing, which occurs once a month. In this case, as opposed to SuperEnalotto, if the drawing does not result in a winner in the highest category, that of six numbers, the other categories will divide the jackpot. The average pay-out for SiVinceTutto is 50%.

(iv) Eurojackpot, available in Italy since April 2012, is the first NTNG with common prize money across several European countries: Croatia, Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, Iceland, Italy, Latvia, Lithuania, the Netherlands, Norway, Slovakia, Slovenia, Spain and Sweden. The game is based on choosing at least five numbers out of 50 in the panel of the game card and at least two Euronumbers out of ten in the gold panel of the game card. The minimum wager is €2 for one combination. The jackpot is won by correctly guessing the 5+2 numbers, and always has a minimum value of €10 million. Eurojackpot offers 12 win categories and the odds of winning at least one prize is 1 in 26, considering all categories. The drawing is held every Friday evening for the players in all participating countries. The average pay-out for EuroJackpot is 50%.

As of December 31, 2015, NTNGs are offered through a network of 29,697 points of sale in the Affiliated Channel, as well as 4,669 points of sale in the Branded Channel. Additionally, we distribute the NTNGs through the online channel, through our two internet sites and the sites of 17 other online concessionaires. In the latter case, the game is provided through our online platform.

In the value chain for NTNGs, we receive a fixed fee on the total value of bets collected, equivalent to 3.73%, while the retailers in points of sale receive a commission of 8% of the bets collected. If the wager is collected through points of sale managed directly by us, or via one of our internet sites, the fixed fee is increased by the remuneration component due to retailers, or 8% of the wager collected.

The Lottery operating segment had 286 employees as of December 31, 2015.

Online Gaming

The Online Gaming operating segment manages the product offering of online games. We offer customers the possibility to play numerous online games directly through the 'www.sisal.it' website or by downloading games onto a computer or mobile device and remotely connecting to our online gaming platform.

Our online channel has been operating since 2004 based on a non-exclusive concession for remote gaming and bet collection. This license is scheduled to expire in November 2020. ADM does not generally require license owners for online operations to be concessionaires for the gaming offer in points of sale of the physical network. Wagers collected in the online channel through the 'www.sisal.it' site and the skin dedicated to lotteries 'www.giochinumerici.sisal.it', and involves the following main types of web games:

- Sports and horse race betting: the online equivalent of betting in the Branded Channel, for which we operate through our MatchPoint brand;
- Skill games: gaming offer related to poker, in particular Poker Cash, in which the players play online with money on virtual tables and other skill games;
- Casino games: online card games, such as blackjack, roulette and online slots. We have also added quick games to the offer, which are simple entertainment games;
- Bingo: the online equivalent of physical bingo;
- Lotteries: the online equivalent of lotteries distributed in the retail network.

In 2015, our online gaming offer includes a portfolio of 376 different games. We believe that we are the first Italian gaming company to introduce casino games and slot machines in the online channel. Furthermore, through our solid relationships with the leading technology partners specialized in supplying gaming platforms (for example, Playtech) we intend to expand our current offering by adding new games to our online platform.

Following the market trends, in 2012 we launched a gaming offering in the mobile channel, providing mobile applications for smartphones and tablets for certain games in our portfolio.

The table below shows the key performance indicators for the Online Gaming operating segment for the three months ended March 31, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013.

	As of March 31,		As of December 31,		
	2016	2015	2015	2014	2013
Turnover (€M)	**375.8**	**305.3**	**1,243.4**	**1,065.4**	**977.6**
Of which Gaming (€M)	298.6	251.0	1,031.6	901.6	845.4
Of which Betting (€M)	77.3	54.3	211.8	163.7	132.2
Revenues (€M)	**14.7**	**12.4**	**47.8**	**44.9**	**39.8**
EBITDA (€M)	**7.2**	**5.8**	**21.8**	**18.8**	**13.8**
EBITDA Margin (%)	49.0%	46.8%	45.6%	41.9%	34.7%
Average monthly player accounts (#)	**111,615**	**98,717**	**95,815**	**87,025**	**86,108**
New players (#)	**39,140**	**24,393**	**95,266**	**88,615**	**85,219***
Annual active accounts (#)	**161,208****	**142,441****	**242,130**	**219,608**	**248,786**
Customer Market Share (%)	**n.d.**	**n.d.**	**14.4%**	**13.5%**	**12.9%**
Number of games	**390**	**339**	**376**	**320**	**264**

(*) Net of frauds and bonus abuser.
(**) Reflects active accounts between January 1 to March 31 for the periods indicated.

For the year ended December 31, 2015, we collected €1.2 billion in terms of amounts wagered (turnover) and paid winnings for 93.8% of turnover and paid gaming taxes for 1.8% of Turnover (with different tax models according to different products). As a consequence, net gaming revenue was €47.8 million, corresponding to 4.0% of the turnover.

Net gaming revenue has been growing in recent years due to an increase of average monthly players (from approximately 86 thousand in 2013 to 96 thousand in 2015) and average monthly revenues per user.

In recent years, we have developed a business model that promotes the growth of online customers accounts through an omni-channel strategy (online, mobile, retail), growing from 85.2 thousand new customers in 2013 to 95.3 thousand new customers in 2015.

The strategy is based on (i) leveraging the strength of the Sisal Brand by converting the extensive traffic of Sisal websites into acquiring new consumers, (ii) online recruiting through performance acquisition business models: pay per acquired customers (e.g., Sisal pays search engine providers only if a potential customer performs an action, e.g. click or register online) and (iii) recruiting new online customers in our retail network. As a result of this strategy, Sisal is limiting its cost per acquisition of new customers (CPA), which was €73 per customer in 2015.

Sisal pays platforms costs as a variable part of net gaming revenue generated by products managed through non-proprietary platforms (Mobile Betting, Virtual Race, Casino, Slot, Quick Games, Poker, Skill games and Bingo). Overall, in 2015, platform costs accounted for 13% of net gaming revenue generated through non-proprietary platforms.

With online betting, customers can place bets on the same events, at the same odds and under the same conditions established for games in the Matchpoint shops and corners. In addition, the administrative charges paid to ADM for wagers in the online channel have the same rates as those for wagers placed in the physical channel. However, since customers can place bets with Sisal only on Sisal-owned internet websites, we do not pay commissions to third parties, except those associated with topping up online accounts and the contractual commission for providing the technology.

Sisal online customers can top-up their accounts, pay online through credit cards and other e-payments instruments (cost of top-up is approximately 2% of the transaction value), or pay cash directly in 40,000 Sisal Point of Sales, cost of deposit is approximately 5% of transaction value.

As noted above, NTNGs can be used on our internet site, as the exclusive concessionaire for this type of gaming. As part of the exclusive license for the NTNG offer, we also manage a network of 19 online concessionaires who, subject to ADM authorization and internal reviews carried out by us, offer NTNG products through their own internet sites. In any event, the gaming applications are provided to the final user directly through our online platform. Any time a customer purchases a NTNG product on our internet site, we receive two commissions: one as concessionaire and one as operator. If, however, the customer purchases a NTNG product through internet sites not belonging to us, the latter receives only the commission as concessionaire of the game.

Our advanced information technology infrastructure, through which products are offered in the online channel, consists of a sophisticated system for managing gaming accounts, planned and developed internally.

We currently have agreements with the largest providers of online technology and related services in order to ensure the most advanced technology and game content. This includes the possibility for the customers to use a wide range of credit cards and alternative payment methods, as well as the distribution of updated and high quality game content.

Finally, we make use of systems and controls designed to ensure that the online gaming products are used only by customers located in Italy, in accordance with governing regulations.

Our Online Gaming operating segment had 96 employees as of December 31, 2015. This figure also includes the employees of the Payments and Services operating segment.

Payments and Services

The payment services we offer are a regulated activity, reserved for banks, electronic money institutions and Payment Institutions authorized and registered by the Bank of Italy. We carry out payment services and we are authorized as a payment institution by the Bank of Italy.

Taking advantage of our vast sales network and advanced information technology infrastructure, we are active in the rendering of payments and services in Italy since 2002. By using one of our 'universal' terminals, installed at points of sale in our network, which manage both NTNG gaming transactions as well as payments and services, the customer can benefit from increased convenience, ease of use and speed, compared to traditional channels such as banks and post offices. The terminals provide a wide range of services, such as: (i) payment of invoices, household bills, fines, taxes, subscriptions; (ii) topping up prepaid debit cards and executing money transfers; (iii) topping up phone cards and pay-per-view TV cards; as well as (iv) selling certain products such as gadgets and small toys. As of December 31, 2015, 518 payments and services were provided through collaboration with 99 partners (67 topping up phone cards, 381 payments, 61 topping up prepaid debit cards services and 9 other services). As of December 31, 2015, the Group offered 518 services (67 topping up phone cards, 381 payments and 61 topping up prepaid debit cards) through collaboration with 46 partners. As of December 31, 2015, the Group offered nine services through collaboration with 99 partners.

In this growth process, we helped facilitate a progressive change in payment habits of customers who, increasingly choose the so-called diffusive channel, in which we operate due to the ease of use and quality of the services offered. This channel consists mainly of bars, tobacconists and newsstands, compared to traditional channels represented by bank and post offices, which provide the same type of services we offer.

As of December 31, 2015, the payments and services we offer are available at 42,180 points of sale, of which 6,605 are new "Service Only" points of sale, introduced in 2013 and consisting of terminals designed and developed exclusively for these types of services. They are strategically located in high-traffic areas, giving access to a large pool of users and not associated with the distribution of lotteries, where the availability of additional terminals can reduce or eliminate the time required and the queues for making payments. This innovative type of terminal dedicated solely to services was developed to respond to the format needs of new categories of points of sale (for example, newsstands), thereby allowing our network to expand. The dedicated terminals are smaller than traditional ones and are therefore more suitable for the limited space available at specific points of sale.

The table below shows the key performance indicators for the various types of payment services we offer for the three months ended March 31, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013.

	As of March 31,		As of December 31,		
	2016	2015	2015	2014	2013
Turnover	2,085.8	2,071.4	8,110.0	6,911.9	6,261.7
Revenues (€M)	45.6	43.1	174.7	158.2	141.2
EBITDA (€M)	17.5	15.3	59.0	53.4	45.9
EBITDA Margin (%)	38.4	35.5	33.8	33.8	32.5
	%	%	%	%	%
Points of sale[(1)] (#)	41,675	42,400	42,180	41,276	40,097
Of which Service Only (#)	6,292	5,847	6,605	4,606	1,542
Total transactions (#M)	49.8	48.5	199.0	187.2	189.7
Payment and prepaid card transactions (#M)	16.1	15.4	60.1	49.7	42.3

(1) Includes points of sale authorized for services but not for NTNGs.

For a description of Payments and Services supply chain, see "*Industry*".

The number of transactions we carried out increased considerably, from 132.3 million in 2009 to 199 million in 2015. In the same period, turnover increased from €2.8 billion to €8.1 billion. This increase was supported by communication initiatives that increased the visibility of these service types and made them more appealing to customers. Specifically, we launched the SisalPay brand in 2013, which is positioned as a recognized brand in the payment services sector and is aimed at becoming the reference point for payment transactions for Italians, with the slogan 'Convenient to pay this way' (*comodo pagare così*). The table below shows some of the key partners with whom we collaborate, divided by type of service rendered and represented by the SisalPay brand:

Top ups and telephone cards	Payment services	Credit cards and prepaid debit cards
TIM	Telecom Italia	Postepay
Vodafone	Acea	CartaSi
Wind	Enel	Paysafe
H3G	Findomestic (BNP Group)	Compass
Poste Mobile	Eni Premium	
Edicard	Mediaset	
	Sky	
	Agos	

Our activities consist in the collection of payments, both cash (which cannot exceed €3,000 in accordance with applicable regulations) and, beginning in 2014, through cashless devices equipped with contactless technology, owed by the customer to the beneficiary partner, through our terminals and subsequently transfer the payment to the relative beneficiary partner (such as telephone operators, utilities and banks). The process includes: (i) confirmation that payment was made by the customer and (ii) the amount paid by the customer. In the case of telephone top-ups, the customer payment is transferred to the telephone company net of the commission owed to us. For utility payments, on the other hand, the customer payment is transferred to the partner, our commission is then paid as an additional fee directly by the end user. In cases in which the service is offered at points of sale that are not directly managed by us, a commission is paid to the retailer according to a revenue sharing criterion based on the remuneration we have received. Compliance with the complex regulations prescribed for payment institutions is necessary in order to obtain and maintain the authorization to operate. Specifically, as of December 31, 2015, we had a total asset base of €2.5 million, which was adjusted in January 2016 to €2.8 million on the base of the volume of payments processed in 2015, and performs, through our points of sale that offer services such as the purchase or top-up of prepaid debit cards, customer identification procedures required for anti-money laundering regulations (so-called 'know your customer procedures'). These procedures are constantly developed and updated in order to comply with continuously evolving regulations.

***

Main turnover data related to games for which Sisal and Sisal Entertainment are concessionaires

The table below indicates the historical trend of turnover related to games for which Sisal and Sisal Entertainment are concessionaires and, in particular, the details for Lottery games for the years ended and as of December 31, 2015, 2014 and 2013.

Euro million	2015	Variation 2015-2014 (%)	2014	Variation 2014-2013 (%)	2013	CAGR 2015-2013 (%)
Slot Machines	2,225.3	(6.0)%	2,366.7	(1.0)%	2,390.7	(2.4)%
VLT	1,703.9	3.7%	1,643.6	(7.5)%	1,776.4	(1.4)%
Lotteries[1]	1,055.3	(11.1)%	1,187.6	(13.7)%	1,376.2	(8.5)%
—of which SuperEnalotto	614.6	(12.5)%	702.6	(15.4)%	830.3	(14.0)%
—of which SuperEnalotto with SuperStar	272.7	(11.9)%	309.4	(15.5)%	366.4	(13.7)%
—of which SiVinceTutto	11.6	(34.8)%	17.7	(38.2)%	28.7	(36.5)%
—of which Win For Life	44.2	(23.9)%	58.0	(30.2)%	83.2	(27.1)%
—of which Eurojackpot	82.3	19.3%	69.0	2.1%	67.6	10.4%
—of which VinciCasa	30.0	(2.8)%	30.8	n.d.	—	n.d.
—of which other lotteries games	17.2	36.2%	12.6	50.9%	8.3	43.4%
Sports betting—including fixed—odds betting[2]	625.4	8.7%	575.3	10.5%	520.4	6.3%
Horse betting[2]	113.9	(4.4)%	119.2	17.6%	144.7	(7.7)%
Bingo	4.1	(48.8)%	8.0	1.3%	7.9	(19.6)%
Online games[3]	1,022.6	14.5%	892.8	6.8%	835.7	7.0%
Total	**6,988.4**	**(0.6)%**	**7,028.4**	**(0.3)%**	**7,052.5**	**(0.3)%**

(1) Includes online and offline lotteries.

(2) Includes online e offline.

(3) Includes online bingo.

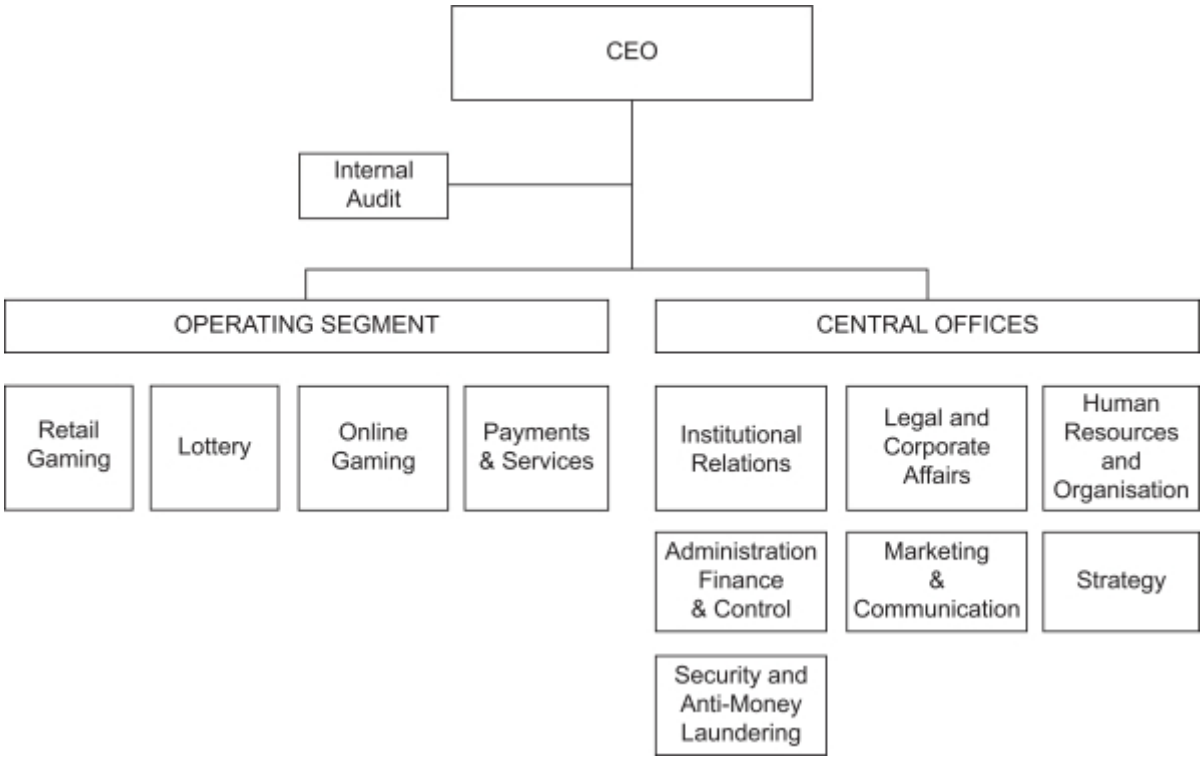
It should be noted that there are concession charges connected to the NTNG concession providing investments for the modernization of the technological infrastructure and an expense in "communication and information" at least equal, respectively, to 0.20% and 1.82% of the turnover of the previous concession year (calculated from July 1 to June 30 of the subsequent year).

We have the right to set off future commitments with higher investments carried out in the previous concession years. From 2009 to 2015, we carried out investments exceeding approximately €16 million, sufficient to cover the investment obligations related to the NTNG concession for the period 2016 – June 30, 2018.

Expenses obligations in "Communication and Information" are proportionate to the turnover and, consequently, decrease in the case of a turnover decrease. It should be noted that, in any case, there is the possibility for us, subject to ADM authorization, to anticipate/postpone by one year part of this obligation.

Organizational Model

As of December, 31, 2015, the Group is organized into seven central offices, four operating segments and a staff department. The central offices have the objective of ensuring financial, strategic and operating consistency, providing their services and skills to internal customers and managing all external relationships with the key stakeholders.



Each operating segment manages its own product development, marketing operations, commercial and customer care activities. When necessary, in order to improve process efficiency, an operating segment may provide services to another operating segment. Each operating segment also has its own Product IT, Finance & Planning and Human Resources functions, that hierarchically report to the Business Manager of the operating segment, and functionally to the manager of the corresponding central office.

The following paragraphs describe the activities of the different central offices and, furthermore, in respect of Information and Communication Technology, Operations, Sales Structures, Marketing and Customer Care, illustrate the principal activities carried out within the Group by the operating segments and/or by central offices.

As of December 31, 2015, the Group had 1,806 employees.

Office of the CEO

Office of the CEO is the senior management body which sets the strategic and financial guidelines for the Group, in accordance with the key internal and external stakeholders.

Office of the CEO:

- sets the strategy and the action plan to guide the Group toward the future development;
- manages the business's resources, guides and coordinates the primary processes and actions of the Group;
- aligns the business activities with the decisions taken by the Board of Directors.

As of December 31, 2015, this office consisted of four employees.

Legal and Corporate Affairs Office

The Legal and Corporate Affairs Office helps ensure legal and regulatory compliance and manages corporate transactions, obligations, disputes as well as our insurance coverage.

In addition, this office:

- manages corporate transactions, shareholders' meetings and Board of Directors' meetings, ensuring compliance with legal requirements;
- provides assistance and opinions on legal, institutional, corporate and financial matters as well as on acquisitions, ensuring compliance with the relative requirements.

As of December 31, 2015, this office consisted of six employees.

Institutional Relations Office

The role of the Institutional Relations Office is to ensure business development and to protect the institutional relations interests of our Group, consistent with the business strategies and values, building, maintaining and developing at all levels a network of institutional relationships and relationships with other players in the sector, both nationally and in the European community.

In addition, this office:

- represents the Group with regards to all institutional issues associated with concessions, primarily in relation to ADM and Sogei;
- promotes and defends our interest and, as appropriate, market interest, with representatives of institutions;
- represents Group companies in trade associations, both national and international, as well as in front of European Community authorities.

As of December 31, 2015, this office consisted of 18 employees.

Marketing and Communication Office

The Marketing and Communication Office is responsible for marketing, communication, innovation and sustainability issues. As of December 31, 2015, this office consisted of 26 employees. See '*Marketing*'.

Administration, Finance and Control Office

The Administration, Finance and Control Office oversees the management planning and control, financial, tax and administrative processes.

In addition, this office:

- manages our administrative processes and compliance with relevant accounting, tax and financial statement obligations;
- manages our cash flows and relationships with banks;
- manages short-term, as well as medium to long-term, planning and management control;
- assesses the economic-financial sustainability of new investments and acquisitions;
- maintains relationships with investors.

As of December 31, 2015, this office consisted of 66 employees.

Strategic Planning Office

Strategic Planning coordinates Strategy, Information and Communication Technology, Procurement and Market Intelligence functions. This office is responsible for supporting the definition of the business's strategic guidelines, developing analyses of the business's positioning in the sector, managing all processes associated with procurement, handling governance issues and the strategic guidance of Group's Information and Communication Technology.

In addition, this office:

- develops multi-year business plans and identifies areas for growth and investment;
- performs analyses of the competition, the market, products and consumers;
- manages and oversees the purchasing process and related contracts, selects suppliers and negotiates calls for tender for purchasing products and services.

For more information on the Information and Communication Technology function, see '*Information Infrastructure and Telecommunications Network*'.

As of December 31, 2015, this office consisted of 92 employees.

Human Resources and Organization Office

The Human Resources and Organization Office is responsible for defining the organization model, strategic policies and operating methodologies for personnel developing, training, selecting and recruiting, guidelines for internal communications and welfare and compensation policies. This office manages relations and issues with trade unions.

In addition, this office:

- communicates and promotes our business values within the Group;

- implements the policies and tools for personnel development and compensation and ensures compliance of all administrative activities inherent in managing employment relationships;
- ensures the efficiency and quality of the activities of the General Services.

As of December 31, 2015, this office consisted of 38 employees.

Security and Anti-Money Laundering Office

The Security and Anti-Money Laundering Office handles the business's security (internal, external, physical, logical and of personnel) and the anti-money laundering activities, including all aspects of strategy, governance, control and implementation.

In particular, this office:

- defines, supervises and applies physical and information security measures based on needs we identify, international standards and applicable regulations;
- develops, maintains and monitors the organizational, procedural and technological measures to ensure privacy and integrity of personal data, in accordance with regulations governing privacy;
- ensures that the Group quality objectives and European/World Lottery Association certifications are achieved and maintained.

As of December 31, 2015, this office consisted of seven employees.

Internal Audit and Risk Management Office

The Internal Audit and Risk Management Office verifies the performance, compliance, and reliability of procedures, processes and resources in relation to company and legal regulations.

In particular, this office:

- supports management in overseeing and monitoring the internal control system, periodically evaluating and verifying its integrity and effective implementation;
- carries out business, compliance and risk management audits, or audits to ensure the maintenance and updating of the internal control system.

As of December 31, 2015, this office consisted of six employees.

Sales structure

The Group has three distinct sales structures within the operating segments:

- Retail Gaming operating segment:
    - Dedicated sales structure to support direct point of sales within the Branded Channel (MatchPoint and WinCity): continuously oversees the network of partner MatchPoint point of sales. Specifically, this sales force analyses performance and provides support and training to partners, decides on the product mix and implements the advertising initiatives and in-store marketing. It also supervises a team dedicated to the shop-in-shop network;
    - Sales structures dedicated to support the Affiliated Channel: these structures are dedicated to development of the Affiliated Channel and, in particular, the slot machine and VLT business.

Both structures manage the Group's entire product portfolio mix at the points of sale to which they are dedicated, ensuring full coverage of the network.

- Lottery operating segment:

This sale structure manages the Affiliated Channel which includes only the lotteries, payments and services products. The sales force, though belonging to the Lottery operating segment, also provides services to the Payments and Services operating segment, to exploit distribution synergies. The sales force is responsible for, among others: (i) maintaining relationships with the points of sale; (ii) implementing commercial strategies and trade marketing strategies, according to a differentiated approach based on the potential of the point of sale and the geographic location. Additionally, the structure has a tele-selling commercial call center.

Central coordination of the sales structures is assured at the operating level, with quarterly sales meetings, known as canvasses, in which the sales structures meet to review performance since the last quarter and define development policies for the next quarter, ensuring, on the one hand, implementation of the cross operating segment/product sales strategies and, on the other, where possible, full coverage of the point of sale.

As of December 31, 2015, our sales structures, located across the various operating segments, had 132 employees.

Customer Relationship Management

As support for our sales departments, we use various customer service tools within the operating segments, which ensure assistance to the consumers and to the retail network. In particular, first level call center activities, which are required under the concession, for Lottery end customers have been offshored to another company.

The same model has been adopted to manage players in the online channel, to support both the account activation phase as well as the management of the account and game information.

With regards to relationship management with business to business customers, we have implemented various commercial customer care tools for the Branded Channel, as well as for the Affiliated Channel, in order to handle: (i) administrative and contractual issues related to relationships between the company and the retailer; and (ii) information issues, related to the introduction of new games and management of current ones, as well as communication and products sales strategies.

In addition, as part of offering high quality service to the retail network, we have established a technical customer care center, to manage all issues with hardware and software at points of sale.

First level call center has also been off-shored for business to business retail network. As of December 31, 2015, the number of staff dedicated to customer care activities and located throughout the various operating segments was 186.

Sisal Brand

In approximately 70 years of history, the Group has developed, acquired and obtained through concessions a significant number of brands that constitute an asset for the Group.

With regards to the product brands, the most recognized is SuperEnalotto, managed through the concession from ADM. Win For Life, VinciCasa, SiVinceTutto, Superstar and Eurojackpot, also under concession, were developed later by the Group. Proprietary product brands include Sisal Poker, Sisal Casinò, Sisal Slot, Sisal Quick Games, Sisal Skill Games and SisalPay. The latter was developed by Sisal for the Payments and Services operating segment, while the others are part of online gaming.

At the same time, in light of the Group's retail strategy, a series of channel brands were acquired or developed over time. Matchpoint is the brand associated with the betting shops and corners, WinCity is associated with the gaming and entertainment halls owned by the Group, while SmartPoint is the new reference brand for the distribution of lottery and slot machine games.

The Group's principal brands are listed below.

Product Brands

Licensed brands

Proprietary brands

Channel Brands

According to the Management, the nine most important brands are: SuperEnalotto, Win For Life, SiVinceTutto, Eurojackpot, VinciCasa, WinCity, MatchPoint, SmartPoint, Sisal.it, SisalPay.

Marketing

Our marketing and communication structure implements marketing plans for our Group, whilst ensuring integrated communication with external parties and the growth and development of the brand and portfolio identity. Marketing and communication policies, aimed at strengthening our reputation and our brands, include public relations activities and relationships with the media and institutional and product advertising, to raise awareness and confidence in us and our products under concession with our customers and stakeholders. Marketing activities are carried out in cooperation with our operating segments and include defining the positioning and visual identity of the brands, developing and executing communication policies, and planning and purchasing media space. We also use Sisal TV, our own TV channel dedicated to gaming—that has a key communications role in the point of sale—which we have deployed at approximately 11,386 of our points of sale, to promote the Sisal brand and our products. In particular, according to the Reputation Institute, an international leading company in reputation and brand measurement, Sisal company has a higher familiarity among the general public (87.3%), compared to other players of the Italian Gaming market (Source: Reputation Institute—January 2016).

Our central marketing structure, in collaboration with operating segment structures, analyzes and identifies customers' needs, by developing and proposing safe and entertaining games, defining their positioning in the market and brand guidelines, both on and offline, and managing the players community on the social media.

Marketing teams within operating segments define and implement the product marketing strategies, consistent with the Group marketing strategies. These teams are responsible for defining and managing marketing actions (above and below the line, events, sponsorship, local communication, etc.) which may influence the purchase process of consumers and support the achievement of business targets.

As of December 31, 2015, there were 19 members of staff dedicated to our marketing activities.

Corporate Social Responsibility

Our Marketing and Communication structure additionally develops the Group's Corporate Social Responsibility and Sustainability activities. Our Responsible Gaming Program is the pillar of the CSR strategy, and aims to provide a balanced and responsible gaming model that is centered on entertainment, prohibited to minors, and preventing problem gaming. Our Responsible Gaming Program has been certified every three years by leading international entities such as European Lotteries Association and World Lottery Association.

Since 2009, our commitment to the community has been put into practice by implementing a long term Social Responsibility Program addressed to support talent in the younger generations and initiatives in the areas of culture, art, sport. In addition, the Group is committed to supporting scientific research that actively involves our distribution network in fundraising campaigns.

Competition

We compete with gaming companies, including concessionaires and online and retail operators, as well as with other providers of Payments and Services.

Due to the expansion of distribution networks and the introduction of online games and a number of new games, the Italian Gaming and Betting market, which has historically been represented by a number of small concessionaires and operators, has seen, over recent years, increasing interest from foreign operators and the expansion by certain Italian gaming operators of their product portfolio. As a result, the Italian Gaming market has become more competitive, and concessionaries that historically specialized on certain types of bets and games have expanded into other types of games. Our primary competitors in the Italian Gaming market include IGT and SNAI/Cogetech.

We also face competition from a number of other industry participants, especially in the online games operating segment, which is highly fragmented and competitive; our main competitors in this area include IGT and Snai. Additionally, our retail operations, which comprise our WinCity gaming halls as well as betting shops, face competition from a number of small, local market participants such as family-owned convenience stores and coffee and tobacco shops, though larger industry participants have sought ways to expand their retail offerings.

At times we may compete with several game operators from other EU member states who operate in the Italian Gaming market without an ADM license based on several decisions of the European Court of Justice and higher level Italian courts in accordance with EC Treaty rules. See "*Risk Factors—Risks Related to Our Sector—Liberalization or other changes in the regulatory framework may increase the number of competitors in the Gaming market, including competitors who are not required to comply with the requirements of the Italian regulatory framework*".

In our Payments and Services business we primarily compete with banks and the Italian post office, each of which offers the ability to make certain payments, as well as the other gaming concessionaire active in the Payments and Services market, such as IGT.

Group Operations

Within each operating segment, the "Operations" departments perform technical assistance functions for the various businesses of the Group (NTNGs, betting and Gaming Machines) both on-site and through help desks, as well as logistics relating to terminals and Gaming Machines (VLTs and slot machines). The Operations departments are mostly managed by internal personnel, as our management believes that managing operating activities to support the business is a key element of business continuity and in maintaining a positive and collaborative relationship with the distribution network.

In terms of the organizational structure, Operations are located within the Lottery and Retail Gaming operating segments. Specifically, the Lottery operating segment acts as a service provider with its technical laboratories and also performs logistics for the Payments and Services operating segment.

The operating model for "Operations" is based on an initial interface with the customer conducted by a first-level help desk, which in turn supports the subsequent management of the intervention or remote resolution over the telephone by means of a specialized second-level help desk, or, if necessary, an on-site resolution.

As regards performance, compliance with requirements of the Group's various licenses and the goal to continually improve the level of service, has led to the achievement of high standards. For NTNGs, in 2015, the Group resolved on average 100% of issues related to the telecommunication network and which impacted gaming turnover within one working day, of which 98.71% were resolved in 4 hours. The service level for issue resolution inherent in peripheral assistance requests was 99.95% within two working days and 93.63% within 8 hours. As of December 31, 2015, there were 260 employees in Operations.

Intellectual Property and Innovation

We have a number of brands, logos, websites and other intellectual property which we seek to protect from third party infringement through the registration of trademarks and through certain other means of trade secret protection, including licenses, confidentiality and non-disclosure agreements as well as through other contractual provisions. We believe the strength of each of these brands, and the protection of the associated intellectual property, is an important factor in the success of our business.

Under the terms of our NTNG concession, we have the right to use the trademarks SuperEnalotto, Superstar, Enalotto, Jackpot in Palio, Win For Life, Tresette and Gioca Facile during the term of the concession. We are obligated to comply with the legal tax and management obligations related to the registration of such trademarks and are obligated to transfer the rights in such trademarks to ADM upon the expiration of the concession.

Properties

We lease our primary executive office, which is located at Via Tocqueville 13, Milan, Italy. We also own an executive office in Rome and lease one smaller executive office in Milan and a representative office in Rome. In addition, we own a warehouse near Milan and we lease a warehouse in northern Italy.

We believe that our facilities meet our present needs and that our properties are generally well maintained and suitable for their intended use. We believe that we have sufficient capacity to satisfy the demand for our services in the foreseeable future. We continuously evaluate the composition of our portfolio of properties in light of current and expected market conditions and demand.

Insurance

We face risks of accident in our operations, including risk of fire and risks related to third party claims. We maintain comprehensive insurance policies with respect to, among other things, property damage and theft and robbery of electronic equipment. We believe that our insurance coverage is in accordance with that of other similar companies and is adequate for our needs.

Employees

The following table shows the average number of our employees by category for the periods indicated.

	2015	2014	2013
Managers	48	49	47
Management Staff	125	125	118
Clerical	1,703	1,768	1,559
Other	70	58	54

	2015	2014	2013
Total	**1,946**	**2,000**	**1,778**

All our employees are located in Italy and are subject to a national collective bargaining agreement for the services industry which will expire in 2017, as well as a supplementary bargaining agreement between us and our employees which will expire at the end of 2018. Additionally, our managers are subject to a national bargaining agreement for managers of the services industry which expired at the end of 2014 and is effective until a new agreement is signed. Specifically, these collective bargaining agreements regulate regular and additional salaries, working hours and termination rights.

We believe that our relationship with our employees is satisfactory. During the last three years, we have not experienced any strikes or work outages.

Legal Proceedings

We are subject to various legal proceedings. On the basis of current information, we do not expect that the actual claims, lawsuits and other proceedings to which we are subject, or potential claims, lawsuits and other proceedings relating to matters of which we are aware, will ultimately have a material adverse effect on our results of operations, financial condition or liquidity. However, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operations or cash flows in particular periods.

We believe that we have fully complied with all our contractual and legal obligations or have viable defenses, including that any non-compliance was due to circumstances out of our control, and we intend to continue to defend vigorously the below claims.

Civil and Administrative Proceedings Relating to the Italian 2015 Stability Law.

The Italian 2015 Stability Law required Italian VLT and AWP concessionaires and operators to pay an annual fee of €500 million in proportion to the number of VLTs and AWPs operated (the "**Stability Law Fee**"). In particular, each concessionaire was responsible for remitting its entire portion of the Stability Law Fee calculated on the basis of all VLTs and AWPs operated under its concession. As a result, each concessionaire, including us, was responsible for collecting the Stability Law Fee portion by each partner operating under its concession and made requests to renegotiate the contractual arrangements in place in order to reflect the new 2015 Stability Law provisions. In December 2015, several hundred VLT and AWP operators filed a claim against Sisal Entertainment and other concessionaires before the Court of Rome contesting the concessionaries' requests for contribution and renegotiation.

In particular, a former partner of Sisal Entertainment filed a claim alleging that Sisal Entertainment had unlawfully terminated the agreement in force with him following his refusal to accept Sisal Entertainment's requests. The claim was dismissed but, following a request for appeal, a first hearing has been scheduled.

Moreover, Sisal Entertainment, similarly to other concessionaires, challenged its portion of the Stability Law Fee in an administrative proceeding before the TAR Lazio and also challenged the constitutionality of the Stability Law Fee before the Constitutional Court. A hearing before the Constitutional Court has not been scheduled yet and the proceeding before the TAR Lazio is suspended pending the decision of the Constitutional Court. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Financial Condition and Results of Operations—Gaming Market—Regulation."*

Submission of Accounts by Slot Concessionaires

In January 2010, the Public Prosecutor of the Department of the State Auditor ordered Sisal (the original gaming machine concessionaire for the Group) to pay a penalty of €111.6 million for the years 2004-2006 and an additional amount to be determined for the subsequent years because of Sisal S.p.A.'s failure to submit accounts to the ADM and the Audit Division of the State Auditor for their approval. The same claim was raised against the other Concessionaires. The parties filed their written defenses as well as the accounts related to 2004-2009 which had previously been duly approved by the ADM.

On November 17, 2010 the Department of the State Auditor confirmed that the Concessionaires are "tax collecting agents" and therefore would be required to submit accounts to the ADM and the State Auditor, but held in favor of Sisal and the other Concessionaires because they demonstrated the absence of any negligence and ordered the Public Prosecutor to reimburse their legal costs. On March 14, 2011, the Public Prosecutor appealed the ruling. In its July 24, 2013 ruling , the Central Judicial Section of Appeal of the State Auditor determined Sisal's fine in the amount of €5,000 plus legal expenses, although it partially upheld the Prosecutor's arguments and found that the failure to complete and submit judicial deposits by Sisal and other concessionaires constituted gross negligence.

On August 6, 2012, the Public Prosecutor served the Concessionaires, including Sisal, with a technical relation of the reporting judge of the Judicial Section of the Lazio Region Department of the State Auditor challenging the reliability of

the accounts relating to the period from 2004 to 2009 that had previously been duly approved by the ADM. Such relation contests that accounts rendered for the period from 2004 to 2009 were not complete and were not based on fully reliable data claiming that most of the slot machines were installed, but not properly connected to the central system. At a hearing on January 17, 2013 the Department of State Auditor held that accounts must be rendered pursuant to the accounting scheme provided by the *Sezioni Unite* of the Department of the State Auditor on December 2012. Sisal prepared a new set of accounts drafted pursuant to such accounting scheme provided by the *Sezioni Unite* of the Department of the State Auditor on December 2012 for a further hearing scheduled for May 16, 2013. On June 14, 2013 the Judicial Section of the Lazio Region Department of the State Auditor issued a judgment that precluded the claim submitted by the Public Prosecutor, finding that the accounts submitted should not have been considered due to the uncertainty about the accounting entries submitted to the ADM.

Sisal filed an appeal of the decision with the Central Judicial Section of Appeal of the State Auditor and the hearing was held on January 15, 2015. The ruling did not indicate that a debt was payable by the concessionaire, but only (i) that there were deficiencies and irregularities in the accounts submitted and (ii) that therefore a decision (in particular, an order to pay a debt) could not be made on the basis of those accounts. As a result, the Central Judicial Section of Appeal of the State Auditor ruled that the accounts contained irregularities and deficiencies and remanded the case back to the court of first instance to reconstruct and finalize the accounts and produce a final decision, possibly quantifying any amounts that were not eligible for deduction and that therefore should be repaid. We are unable to estimate the potential liability.

Pending Litigation Regarding Payments to the ADM of Certain Minimum Guaranteed Amounts

On December 23, 2011 Sisal Match Point S.p.A. (now, Sisal Entertainment S.p.A.), together with other concessionaires, was notified by ADM of certain orders requesting the payment of additional amounts to supplement the minimum guaranteed amounts due to ADM in connection with horse and sport betting activities in relation to the period from 2006 to 2009. Sisal Match Point S.p.A. (now, Sisal Entertainment) and the other concessionaires have challenged such requests. The previous requests received from ADM for the payment of the minimum guaranteed amounts for the period from 2006 to 2009 were temporarily suspended by the TAR Lazio pending implementation of a so-called "safeguard measure" set out in Decree No. 223 of 4 July 2006 ("**Decree No. 223**"). When Decree No. 16/2012 came into effect as Law No. 44/2012, any reference to such "safeguard measure" was cancelled. As a result, the concessionaires raised the question of an alleged non-compliance to constitutional principles of the new Law 44/2012. On January 30, 2013, as a consequence of the appeals of the concessionaires, the TAR suspended the proceedings initiated by the ADM and submitted the case file to the Italian Constitutional Court which, in its ruling on November 20, 2013, declared the unconstitutionality of the contested regulation, with respect to the maximum reduction of 5% of the amount of the minimum guarantees due for 2006-2011 by the concessionaires.

On July 10, 2014 the TAR Lazio, through decision no. 7327/2014, annulled the orders through which ADM requested the minimum guaranteed amounts due for the period 2006-2010. As a result of the Italian Constitutional Court's ruling and the TAR Lazio decision no. 7327/2014, the contested regulation ceased to be effective, with implications also for pending juridical proceedings. As a result, ADM must review the measures issued to Sisal Match Point S.p.A. (now, Sisal Entertainment) in light of the principles established by the Italian Constitutional Court.

There are currently no legislative provisions indicating the amount concessionaires may be required to pay, and ADM has not issued any order in this respect, which if issued can be appealed. Sisal Entertainment is currently in discussion with the other concessionaires with ADM to reach a settlement on the amount that such concessionaires shall pay to ADM, if any. In the event of a settlement Sisal Entertainment would pay a maximum amount of approximately €6.5 million relating to minimum guarantees allegedly due for 2006-2011.

Pending Litigation Regarding the Di Majo Award

At the end of the 1990s, a dispute arose between various horse race betting service providers and the Italian Finance and Agriculture Ministries regarding alleged payment delays and breaches by those Ministries. The matter resulted in the issuance in 2003 of the "Di Majo Award" (named for the arbitration tribunal chaired by Professor Di Majo) pursuant to which the Ministries were found liable and were ordered to compensate the concession holders. The Ministries appealed such award before the competent Court of Appeal of Rome.

ADM subsequently authorized the offset of the receivables of the concessionaires against ADM—as arising from the Di Majo Award – and the concessionaires' liabilities against ADM (resulting from the concessionaires activity).

On November 21, 2013, the Court of Appeal of Rome voided the Di Majo Award stating that the administrative courts, as opposed to the arbitration tribunal, have jurisdiction over the matter. In 2014, Sisal Entertainment, as well as other concessionaires, appealed the Court of Appeal's decision before the Italian Supreme Court (Corte di Cassazione). In case of negative outcome of the litigation ADM might require Sisal Entertainment to pay all or part of the mentioned amounts offset amounting to approximately €6.5 million.

Sisal Entertainment, as well as other concessionaires, is currently discussing with ADM to reach a potential settlement on the sums that ADM may require in connection with the annulment of the Di Majo Award.

Pending Litigation Regarding the NTNG Concession

In 2008, Snai S.p.A., Stanley International Betting Limited and Lottomatica S.p.A. filed claims against Sisal S.p.A. in relation to the awarding of the NTNG concession before the TAR Lazio. According to the claimants, ADM improperly evaluated Sisal's bid for the concession, as they contend that the bid was not in compliance with market standards (*offerta anomala*). ADM appointed a technical committee to evaluate Sisal's bid and such committee confirmed the validity of the bid. Subsequently, on June 25, 2009 and July 14, 2009, Snai S.p.A. and Lottomatica S.p.A. respectively submitted appeals (*memoria con motivi aggiunti*) to the TAR setting out their objections against the committee's evaluation. To date, a hearing to discuss the appeals has not been scheduled by the TAR, nor requested by the applicants. We believe our bid was valid and also believe that Snai S.p.A. and Stanley International Betting Limited may have limited, if any, interest in pursuing such litigation further, as neither of them was the second ranked bidder in the tender process.

Pending Litigation Regarding the Curtailment of Entertainment Devices

A claim filed by Sisal Entertainment is currently pending before the TAR Lazio against a penalty issued by ADM for curtailment of the number of slot machines operated by each concessionaire. In particular, we were charged with a penalty of €300 for each slot machine allegedly owned by us which exceeds the minimum number set by the applicable rules. The request of payment issued by ADM amounts approximately to €4.3 million. The entertainment devices found in excess of such curtailment limitations were not traced back to a single concessionaire but were located by ADM's database in the same location where other concessionaires, including us, operated their own devices. We believe that the devices subject to curtailment were erroneously attributed to us and challenged the penalty, requesting its annulment, by filing an appeal before the TAR Lazio. Following our appeal, ADM has not yet appeared at the proceedings and no hearing has been set to date. So far ADM has not requested the payment of the mentioned amount.

Social Security Contributions

In May 2016, we received a notification from the Italian National Social Security Institute ("**INPS**") asserting that, from 2008 to 2013, Sisal Entertainment (formerly Sisal Match Point S.p.A.) incorrectly designated certain individuals who worked in certain points of sale in Lombardy directly managed by Sisal Entertainment as independent contractors rather than employees. As a result, INPS alleges that Sisal Entertainment owes additional social security contributions for the period in question to compensate for the unpaid social security contributions resulting from the designation of such individuals as independent contractors. The aggregate amount of social security contributions required by INPS is approximately €2.6 million. For the period in question, however, Sisal Entertainment paid social security contributions for those same independent contractors for an aggregate amount of approximately €0.9 million, which may be reclaimed by Sisal Entertainment should the outcome of the proceeding be unfavorable to the company. In addition, INPS issued pecuniary sanctions against the former chief executive officers of Sisal Entertainment, in their capacity as legal representatives of the company during the period contested by INPS. The maximum aggregate amount of the sanctions, in relation to which Sisal Entertainment is jointly and severally liable, is approximately €4.9 million. In June 2016, Sisal Entertainment responded to INPS, challenging both the merits of the decision and the way INPS calculated the fines. Should INPS confirm its decision, we intend to challenge such decision and the related fines before the Court of Milan. Should the Court of Milan rule in favor of INPS, INPS may decide to initiate similar proceedings against Sisal Entertainment in other regions of Italy for the same period.

Pending Litigation Regarding the Payment of Certain Fees under the NTNG Concession

On July 10, 2014, Mr. Giovanni Baglivo, chairman - at such date - of the union of retailers operating the points of sale under the NTNG concession, filed a claim against Sisal before the Court of Milan challenging certain fees paid to Sisal under the existing retail gaming arrangements. The claim is based on the assumption that certain services charged by Sisal to the retailers shall be provided free of charge pursuant to the NTNG concession agreement. Mr. Baglivo also challenged Sisal's alleged abuse of a dominant position. On March 25, 2015, the Court of Milan, upon Sisal's request, stated that the claim will be decided by the specialized commercial court of Milan and the next hearing is scheduled for February 1, 2017. Should the court of Milan rule in favor of Mr. Baglivo, other retailers may file similar claims under the retail gaming arrangements with Sisal.

Findings of the Financial Intelligence Unit of the Bank of Italy

In November 2014, the Financial Intelligence Unit of the Bank of Italy ("**UIF**") conducted an inspection on Sisal Group S.p.A. and Sisal Entertainment to verify compliance with the provisions governing terrorism financing and money laundering with regard to the timeframe 2012-2014. During its inspection, which took approximately 6 months, UIF analyzed approximately 40,000 transactions and, concluding its analysis, identified 17 transactions as potentially suspicious. As a result of such UIF inspection, in May 2015, UIF notified us of the start of an administrative proceeding against Sisal and Sisal Entertainment for alleged failure to report five suspicious transactions (out of the 17 identified as potentially suspicious—the aggregate value of the 5 allegedly suspicious transactions not reported amount to €1.7 million—out of an aggregate turnover for the 2012-2014 period of €41 billion). We have timely filed our defense

briefs requesting a hearing which has not yet been set. Pursuant to applicable laws and regulations, the applicable sanction for failure to report suspicious transactions is a monetary fine. In particular, such sanction could range from 1% to 40% of the value of the transactions which were not reported. With respect to the alleged breaches identified by UIF following its inspection, the potential sanction, could amount to approximately €630,000. An unfavorable decision issued by UIF against us would anyway be subject to appeal. See "*Risk Factors–Risk related to our Business–We may fail to detect money laundering or fraudulent activities of our customers, which may adversely impact our reputation, business and financial condition*.

Tax Matters

In 2009, the Italian Tax Agency served Sisal with a tax audit report alleging that certain fees paid in connection with the 2006 financing by Area Giochi S.p.A. (later merged with Sisal) for the acquisition of Sisal, as well as VAT related to services invoiced in 2005 and 2006, should not have been deducted, on the grounds that such fees and VAT were not linked to the activity of Sisal. Sisal received a formal assessment notice concerning the deduction in 2005 of the VAT for an amount of approximately €0.5 million, plus interest and penalties. As a consequence of an unfavorable decision before the competent Regional Tax Court, Sisal made provisional payments of €1.06 million plus interest. Furthermore, Sisal received a formal assessment notice for the year 2006 claiming non-deductible VAT of approximately €0.1 million, plus interest and penalties. The tax challenge has been appealed but the first-tier court hearing has not been held yet.

In September 2010, the Italian Tax Police served Sisal with a tax audit report alleging that interest expenses incurred in connection with the 2006 acquisition financing by Area Giochi S.p.A should not have been deducted. The Italian Tax Police claim is based on an anti-abuse law principle whereby interest may not be deducted if the incurrence of the related financing is primarily motivated by tax benefits rather than for a bona fide business purpose. As a result of the tax audit report, we received a formal assessment for an amount of taxes, penalties and interest of approximately €38.0 million for the fiscal period 2006 to 2009.

In September 2015, the Lombardy Regional Office of the Italian Tax Agency performed the tax audit for the fiscal period 2010-2012. This tax audit contains a number of findings mainly referring to the deductibility of interest expenses deriving from the leveraged acquisition transaction and the non-deductubility of input VAT on the basis of a re-determination of the percentage of input VAT deduction. As a result of such tax audit, Sisal received, in December 2015, an assessment notice for the year 2010 contesting VAT deductions for an amount of VAT and penalties of approximately €5.4 million, plus interest. In March 2016, Sisal received an additional formal assessment notice related to unlawful deduction of interest expenses in 2010 for approximately €5.9 million plus interest incurred in connection with the 2006 acquisition by Area Giochi S.p.A.

In 2010, the Lombardy Regional Office of the Italian Tax Agency challenged the depreciation rate used by Sisal Entertainment (formerly Sisal Slot S.p.A.) to depreciate certain "*comma 6*" slot machines in 2007, alleging that such rate overstated depreciation expense in 2007 by approximately €1.4 million (excluding interest). The same challenge has been raised in relation to the deduction for period 2006, 2008, 2009 and 2010. Between 2011 and 2015, Sisal Entertainment received assessment notices relating to the alleged application of an incorrect depreciation rate for AWPs for the fiscal periods 2006 to 2010 for taxes and penalties of approximately €4.3 million excluding interest. Following unsuccessful appeals for the fiscal years 2006, 2008 (currently pending before the Italian Supreme Court) and 2009 (currently pending before the Regional Tax Court), Sisal Entertainment has made provisional payments for a total of €2.2 million up to December 31, 2015. No ruling has been issued on the appeal filed for 2010 before the Provincial Tax Court of Milan, whereas, with respect to 2007, Tax Authorities appealed before the Italian Supreme Court against the favourable judgment of the Regional Tax Court, and no ruling has been issued yet.

REGULATION

The following provides a brief description of the main regulations that govern the activities carried out by our Group in Italy. Although the following brief description contains the principal information concerning such regulations that are considered material by the Issuer in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. References and discussions to laws, treaties, regulations and other administrative and regulatory documents are entirely qualified by the full text of such laws, treaties, regulations and other administrative and regulatory documents themselves. In addition, prospective investors and/or their advisers should make their own full analysis of the legislation and regulations which apply in the other countries where the Group operates and of the impact they may have on an investment in the Notes and should not rely on the content of the following paragraphs only. See "Risks Factors—Risks Related to Our Business—The industries in which we operate are highly regulated, and if we fail to comply with applicable laws and regulations, or the introduction of more stringent laws and regulations, this could adversely affect our financial results".

Regulation of Gaming Activities

The Italian legal framework regulating the Gaming market is complex and is aimed at striking a balance between compliance with principles and general guidelines established at an EU level (in particular the principles of freedom of establishment (Article 43 EC) and freedom to provide services (Article 49 EC)), and the protection of the Italian treasury's financial interest and the maintenance of public order.

The Competent Authority in the Area of Public Gaming

The Italian state has a monopoly on the right to organize and run gaming, betting and sports pools for which there is any kind of prize and for which payment of a sum of money is required to participate. The Italian Ministry of Economy and Finance (the "**MEF**") can manage these activities either directly or through third-party regulators.

The management of gaming, betting and sports pools, including the management of the applicable taxes (other than direct taxes and VAT), has been originally carried out by the ADM, an agency established by the MEF. In application of the Law Decree no. 95 of July 6, 2012, converted into Law no. 135 of August 7, 2012, the ADM has been incorporated by the Customs Agency, changing its name to the Customs and Monopoly Agency (ADM). ADM regulates, *inter alia*, (i) the specific games and bets which may be offered in the Italian Gaming market, (ii) the minimum and maximum wagers that may be charged by operators, (iii) the pay-out ratio of winnings, (iii) the compensation paid to concessionaires and (iv) the number and location of points of sale.

Conditions to Carry Out a Gaming Activity

Anyone intending to carry out a Gaming activity is required by Italian law to obtain the following:

(a) a concession awarded by ADM in compliance with European community and Italian national public procurement rules; and

(b) a police license to run the betting, gaming machines and bingo activities in each single point of sale, which is granted in accordance with Royal Decree No. 773 of June 18, 1931, approving the consolidated text of public safety laws (*Testo unico delle leggi di pubblica sicurezza*, the "**TULPS**") which may be granted only to concessionaires or to those authorized by the Government ministries or authorities that are entitled by law to organize and manage betting, and/or to persons or entities appointed by the concessionaire or authorized holder based on the concession or authorization.

Additional permits (such as authorizations and *nihil obstat*) may be required according to specific legal provisions and ADM regulations.

The concessions are awarded by ADM by public tender, through which the concessionaires are selected. The concessionaires and ADM enter into a concession agreement, the terms of which are set by ADM and cannot be negotiated. The concession agreement regulates, among other things, the permitted activities under the concession, the concessionaire's obligations toward ADM, the duration of the concession and the concession fee, the conditions for assignment of the concession to third parties, the testing of the technical equipment necessary to carry out the Gaming activity that is covered by the concession, the form and the amount of guarantees to be granted by the concessionaire in favor of ADM, the conditions for revocation or early termination of the concession by ADM and the penalties for failure of the concessionaire to comply with its obligations under the concession agreement.

A police license is granted by location, is personal and subject to revocation or suspension in cases of violations committed by the authorized person. Persons who have a criminal record or who are unable to demonstrate that they meet the moral and professional requirements cannot obtain a police license. Additionally, police licenses can be revoked if the authorized person subsequently fails to satisfy the application criteria. Police licenses may impose special conditions, based on location, to protect the public interest. Once the police license has been granted, the licensee must ensure at all times that police have unrestricted access to the premises on which the activity subject to the authorization is exercised.

Carrying out gaming activities without fulfilling the relevant licensing requirements is a criminal offense. However, a concessionaire may assign the activity of collecting and accepting horse and sports bets to third parties, in compliance with the TULPS and the concessions. For example, Sisal relies on this assignment system in relation to the operation of its horse and sport betting corners.

Regulatory Framework Relating to the Concessions Held by the Group ADI Concession

Sisal Entertainment S.p.A. holds one of the thirteen concessions granted for the realization and operation of the network for the remote management of legal games by means of entertainment devices (the "**ADI**", including slot machines, also known as "Video Lottery Terminals" or "**VLT**") regulated by TULPS, as well as related activities and functions.

The agreement relating to the ADI concession (the "**ADI Concession**") was signed between Sisal Entertainment S.p.A. and ADM on March 20, 2013 and will expire on March 20, 2022. In order to guarantee continuity of service, ADM reserves the right to unilaterally delay the expiry of the agreement entered into for a further 12 months under the same terms and conditions provided for under the agreement.

The ADI Concession regards the activities and functions for creating and managing the network for the electronic management of legal games of chance using Slot Machines and VLTs and all the directly or indirectly related activities and functions.

With respect to the activities and functions governed by the ADI Concession, Sisal Entertainment S.p.A. shall, *inter alia*,: (i) comply with and fulfil all requirements set out under the rules and regulations governing the ADIs, ADM and TULPS provisions and applicable law and regulations; (ii) comply with all disclosure obligations with respect to consumers regarding applicable gambling regulations and law on the protection of lawful and safe gambling; (iii) ensure compliance with prohibitions on gambling by minors, and—in that sense—also bind the parties it has contractual relations with to carry out activities covered by the ADI Concession; (iv) fulfil anti-mafia and anti-money-laundering obligations; (v) comply with all requirements regarding the selection procedure for the entire duration of the ADI Concession, showing that they remain valid, and notifying ADM of the identifying details of parties who hold, directly or indirectly, capital holdings or company assets of more than 2% of its total capital holdings or company assets; (vi) notify ADM of the number of ADIs that it wishes to install; (vii) enter into contracts for the installation of the ADIs; (viii) only install the ADIs into authorized premises, and ensure their correct function; (ix) comply with the prohibition on installing AWPs and VLTs in excess of the maximum amount provided by ADM for each concessionaire (ADM evaluates such thresholds also in case of transfer to another ADI concessionaire); (x) ensure compliance of the telecommunication network with requirements and that everything functions as required; (xi) guarantee the investments provided under the agreement; (xii) give prior notice to ADM of any change in the composition of its corporate bodies; and (xii) acknowledge all ADM's exclusive rights to industrial ownership and the right to use and gain financial benefit from the intellectual works it created to carry out the activities governed by the ADI Concession.

Sisal Entertainment has, *inter alia*, the following duties with respect to the main financial obligations provided under the ADI Concession: (i) pay ADM the amount established in relation to each ADI it wishes to install; (ii) keep its debt ratio (*rapporto di indebitamento*) under the value established by the applicable regulation for the entire duration of the ADI Concession; (iii) distribute its profits, including extraordinary distributions, only after having fulfilled all the investment obligations provided for; (iv) maintain the equity position requirements as provided by applicable regulations; (v) pay the amounts owed to parties with whom it has contractual relations; (vi) collect the amounts wagered and the PREU payment; (vii) ensure the timely and correct payment of winnings to the consumers; (viii) if the obligations provided under the agreement are breached, pay ADM the penalties due; (ix) provide the guarantees to ADM as provided for under the agreement; and (x) pay ADM the annual concession fee equal to a percentage of the amounts wagered.

With respect to exercise of the activities carried out in accordance with the ADI Concession, the concessionaire has the right, *inter alia*, to receive an all-inclusive payment, calculated on the basis of the amounts collected through the ADIs, after taxes and not including the amounts due to ADM, the users or the parties with whom it has contractual relations for the exercise of the games of chance.

The concessionaire may only enter into contracts with the following in the exercise of its activities (i) authorized managers; (ii) tradespersons who are authorized to run arcades; and (iii) managers authorized to run arcades. These contracts must contain the minimum contents specified in the agreement.

In addition, Sisal Entertainment must, *inter alia,*: (i) notify ADM of any change to its corporate structure exceeding 2% of its capital or corporate assets, not including the sale or placement of its shares on a financial market; (ii) request prior authorization for any transaction that could result in any changes to the parties, including but not limited to mergers or de-mergers (not including the sale and share placement on a regulated financial market); (iii) comply with the prohibition on the partial or total transfer, direct or indirect, of ownership of the ADI Concession unless otherwise authorized by ADM in accordance with the *agreement; and* (iv) guarantee that the entity controlling its majority (pursuant to art. 2359 of the Italian Civil Code) holds net assets amounting to no less than the threshold provided by applicable regulations.

ADM may revoke the ADI Concession for reasons of public interest with a determination order, providing reasons. In addition to the other examples provided in the agreement, ADM may order the revocation of the ADI Concession if Sisal

Entertainment, *inter alia*,: (i) breaches ADI provisions in a serious and repeated manner, or those governing the repression of irregular, unlawful or unlicensed gambling; (ii) breaches the obligations or duties, including communication obligations or duties, provided under the agreement; (iii) does not pay the amounts due in accordance with the procedures and time limits provided in the agreement; (iv) loses one of the essential requirements provided by the selection procedure and applicable law; and (v) does not provide the necessary guarantees within the time limits indicated.

At the end of the ADI Concession, or if it is revoked, the concessionaire must transfer all the assets comprising the telecommunication network to ADM on a gratuitous basis, including all the studies, the automated procedures and the documentation used to carry out the obligations provided under the ADI Concession. This transfer will be carried out in joint consultation with ADM. Any charges related to transfer of the telecommunication network shall be borne by the concessionaire.

Slot Machines

On February 14, 2013, ADM awarded to Sisal Entertainment the new concession for the operation of the network for the remote management of legal games by means of slot machines and connected activities and functions. The agreement governing the Slot Machine Concession was executed by Sisal Entertainment and ADM on March 20, 2013 and will expire on March 20, 2022.

Only machines equipped with a certification of compliance with the applicable provisions issued by ADM and which are connected to the ADM network are allowed to be operated in Italy. To comply with ADM requirements, slot machines must be equipped with an element of chance (i.e., random or dependent on chance or luck) as well as a skill element that allow the consumer to choose a gaming strategy, by selecting their preferred gaming option at the start of or during the game. Applicable law requires that the cost of the game does not exceed €1 and that the minimum duration of any game is four seconds. Monetary winnings must not exceed €100 in any one play. The machine must calculate the winnings in an unpredictable way over a cycle of a maximum of 140,000 games. The Italian 2016 Stability law increased the one-off tax withdrawal applied to the total amounts played through slot machines (*prelievo erariale unico*, "**PREU**") from 13% to 17.5%, consequently reducing the minimum payout ratio from 74% to 70% of wagers.

Slot machines may only be played by adults over the age of 18 and the shopkeeper or manager of the point of sale can be subject to administrative sanctions in case of a violation of the age restriction.

Legal Framework Governing the Slot Machines Network

Law No. 289 of December 27, 2002, as subsequently amended by Law Decree No. 223 of July 4, 2006 (superseded by Law No. 248/2006) (the "**Bersani Decree**"), allowed for the introduction of new slot machines, by regulating the following:

Nihil Obstat

In order to operate a slot machine in Italy a manufacturer or importer of the machines must obtain the following licenses from ADM:

(a) a certification of compliance with technical and electronic systems of identification and control of slot machines in accordance with the requirements set forth by ADM for each type of slot machine that the manufacturer intends to manufacture or import. This is to ensure that the machines can be controlled remotely, regardless of location or barriers between the regulator receiving and reviewing the data and the machine; and

(b) *nihil obstat* for each of the machines to be distributed, each of which is to be identified by a serial number, upon self-certification that the machines comply with the model specifications certified by ADM.

The manager of machines produced or imported after January 1, 2003, must obtain a further nihil obstat by indicating the serial number of each machine as well as the details of the relevant authorizations of the importer or manufacturer. A pre-condition for the issuance of such additional nihil obstat is, *inter alia*, the possession of a valid police license provided by TULPS.

The Slot Machines Network

Each concessionaire is required to ensure that its slot machine network complies with the law and must immediately communicate to ADM and other relevant authorities any potential non-compliance in its slot machines. Upon the malfunctioning of a slot machine, the concessionaire is under an obligation to disconnect the non-compliant machine from the network by giving notice to ADM and other relevant authorities. The concessionaire must verify that the shopkeeper blocks non-compliant machines.

Additionally, the concessionaire is required to fulfil its administrative obligations relating to slot machines and to calculate the PREU and pay the relevant sums for the machines connected to the network that are managed by such concessionaire, as required by the relevant ADM decree. Starting from January 1, 2016, the PREU for slot machines is 17.5% of the total mount wagered. Furthermore, the concessionaire must carry out all other activities and functions

required for the correct and effective management of the machines and must ensure the ordinary and extraordinary maintenance of the network, according to the process indicated by ADM, with the purpose of ensuring the maintenance of the technical and market value of such network.

Recent News Concerning the Slot Machines Network

The Italian 2016 Stability Law sets a progressive 30% reduction of the total number of slot machines in the market in the 2017-2019 period. In addition, the same law provides that in the 2017-2019 period slot machines will be substituted with new machines with remote control (similar to VLTs).

Slot Machine Concession Fee and Concessionaire Remuneration

The ADI Concession provides that Sisal Entertainment shall pay to ADM an annual concession fee equal to 0.3% of the total amount wagered and remit ADM a security deposit equal to 0.5% for each ADIs for which a nihil obstat or a serial number is provided by ADM to guarantee the level of the service and the number of machines installed. The 0.5% deposit is returned to the concessionaires upon fulfillment of certain conditions and in proportion to the level of compliance achieved as provided by the ADI Concession.

Video Lottery Terminals

Article 12, paragraph 1, letter l), of Law Decree No. 39 of April 28, 2009 (concerning state of emergency measures in the Abruzzo Region following the recent earthquake) (the "**Abruzzo Decree**"), allowed ADM to implement the testing and operation of new gaming systems (the so-called VLT) consisting of, *inter alia*,: (i) the remote control of the game by means of VLTs in dedicated premises, (ii) remote and random winning combinations; and (iii) the restitution of a minimum pay-out of 85% of the collected sums. To implement VLTs, ADM was delegated powers to define, among other things, the rules of the games, the procedures, requirements and authorization required for the installation of the VLTs and the taxation rates on collected sums.

Pursuant to Article 21, paragraph 7, of Law Decree No. 78/2009 (superseded by Law No. 102/2009), ADM called a public tender for the award of concessions to act as a network system operator for, *inter alia*, slot machines and VLTs. A total of thirteen concessions were awarded the rights to install and operate VLTs in Italy as of 2013. The operation of VLTs is currently governed by the ADI Concession executed in 2013, which will expire on March 20, 2022.

Since February 2010, ADM Decree No. 43593 of January 22, 2010 provides the legal framework applicable to VLTs. Pursuant to the decree, VLTs and related gaming systems must be connected to a control system and control network which is operated by an authorized network system operator. The games played on the VLTs must be capable of remote monitoring for regulatory and tax purposes. Such ADM decree also sets forth requirements for the testing and commissioning of gaming systems, the operating parameters for the games and a timetable for the introduction of VLTs into the Italian market.

The minimum and maximum costs per individual game are set at €0.5 and €10.0, respectively. Payment for games may be made by coin, tickets, prepaid cards, "smart" cards in respect of registered gaming accounts or the reinvestment of previous winnings. The decree sets the maximum payout for VLT games at €5,000 per game; however, this amount is higher in the case of jackpots which are set at a maximum payout of €100,000 per gaming room and at €500,000 per gaming system. Pursuant to the decree, no less than 85% of turnover must be paid to players.

Pursuant to ADM Decree No. 30011 of July 27, 2011, VLTs can only be installed in bingo halls, betting agencies during sports events, agencies for totalizer and fixed-odds betting on horse races, in gaming shops with the primary business activity of marketing public gaming products, public gaming rooms specifically established for the conduct of lawful gaming that provide a separate area for games reserved for underage players, and establishments dedicated exclusively to VLTs and slot machines. VLTs can be installed in these premises only on the condition that the premises hold the specific gaming license in accordance with the Italian regulatory framework. The decree provides that the maximum number of VLTs that can be installed and operated on any of these premises must be limited by reference to a proportion of the premises' surface area and/or to the total number of slot or other betting machines hosted.

The PREU tax levied on the amount wagered on VLTs is 5.5% starting from 2016, plus an additional 6% on the quota of winnings exceeding €500. The application of the additional 6% of PREU tax was temporarily suspended by a preliminary injunction of the Administrative Regional Court of Lazio, dated January 26, 2012, and is still pending. See "*Business—Legal Proceedings*". In addition, as is the case for slot machines, each concessionaire pays a separate fee to the ADM in the amount of 0.3% of annual turnover and remits a 0.5% deposit that is returned in the subsequent year upon satisfaction of certain conditions. See also "*—Slot Machine Concession fee and concessionaire remuneration*".

Legal Framework Governing the Sports Betting Concession

Currently, Sports Betting Concessions are awarded by ADM. Sports Betting Concessions are regulated by Ministerial Decree no.111 of March 1, 2006, which contains the following key provisions:

(a) **Operators Entitled to Collect Bets**. The operators entitled to the collection of bets are the concessionaires selected by ADM in compliance with national and EU principles. The characteristics of the distribution networks of the concessionaires are set forth by ADM's decrees. Bets are either collected at designated points of sale or remotely (i.e. through mobile or fixed telephone channels, the internet or interactive television). ADM can authorize concessionaires to open temporary points of sale to allow for bets which are linked to, for example, special events, to be accepted. Generally, any form of intermediation in the collection of bets (i.e., the unauthorized or irregular collection of bets by persons other than the concessionaires) is prohibited.

(b) **Permitted Bets and ADM's Official Program**. The type of bets covered by the concession are bets on sports events (other than horse races) and non-sports events, including single bets that are made in reference to the single result of a sole event and multiple bets, so-called "*martingala*," that are made in reference to the results of more than one event. The characteristics of the types of bets, as well as the list of permitted sports and non-sports events on which bets can be placed, are prescribed by ADM. Based on the official ADM program, the concessionaire prepares the program of acceptance of bets which contains the odds associated with each predicted result for the events on which bets are allowed. The concessionaire's program must be displayed at the points of sale and, with respect to bets which are placed remotely, the concessionaire must make its program available through the collection channels (i.e., mobile or fixed telephone channels, internet or interactive television). The concessionaire is required to communicate any variation to its program to the public immediately. Concessionaires are permitted to offer different odds for bets carried out at a physical point of sale when compared to bets placed remotely. Fixed odds bets are those for which the sum to be cashed in case of winning is previously agreed between the participant and the concessionaire of the bets.

(c) **Miscellaneous Provisions.** Additional relevant provisions include:

(i) the minimum bet amount is €2.0;

(ii) with respect to fixed odds bets on events other than horse racing, a one-off tax withdrawal ("*Imposta Unica*") applies on the net movement (equal to the total value of the bets collected net of cancelled and returnable debts) collected from the physical and remote distribution networks, net of winnings;

(iii) the exclusion of the operations connected with the exercise and collection of bets from VAT;

(iv) maximum winnings for a single sports bet ticket cannot exceed €10,000, and for a multiple sports bet ticket, €50,000;

(v) provisions for the control of compliance with the applicable provisions, for example by means of inspections at the concessionaires' premises, the point of sale and on the remote systems used by the concessionaires through ADM. In case of violation of the applicable regulation, ADM issues measures of suspension of the remote collection between the national totalizator and the concessionaire and, in cases of serious violation, can terminate the concession;

(vi) provisions for the disbursement of winnings through the national totalizator, normally at the point of sale or, for remote bets, according to the terms of payment indicated by ADM;

(vii) provisions for the certification of the acceptance of the bet, which takes place exclusively by the receipt of a participation issued by the game terminal, according to the data provided by the national totalizator. The acceptance of remote bets is registered in accordance with the procedures set forth by ADM. Remote bets are irrevocable; and

(viii) provisions for the maximum term during which requests for reimbursements and winnings can be made, which is currently set at 90 days from the date of the result of the last events which were the object of the bet. The amounts not requested within this term will be paid to the Italian treasury.

Change in Betting Tax Calculation

The one-off tax withdrawal ("*Imposta Unica*") indicated under point (c)(ii) above originally applied on the turnover generated by the fixed odds bets during a certain period. Pursuant to the 2016 Italian Stability Law, such one-off tax withdrawal calculation shifted from turnover to margins (i.e. it applies on the net movement – equal to the total value of the bets collected net of cancelled and refundable bets- collected from the physical and remote distribution networks, net of the winnings). The one-off tax withdrawal is fixed at a rate of 18% of the net movement collected from the physical distribution network, net of the winnings, and 22% of the net movement collected from the remote distribution network, net of the winnings.

Legal Framework Governing the Horse Racing Betting Concession

Currently, horse racing betting concessions are awarded by ADM. Horse racing betting concessions are primarily regulated by Presidential Decree No. 169/1998, which contains provisions on horse racing bets at totalizator and at fixed odds. The key provisions governing horse racing betting concessions are:

(a) **Concessions for the Exercise of Horse Race Bets**. The concessions for the exercise of fixed odds and totalizer horse race bets are awarded by public tender to persons and companies with appropriate and demonstrated technical, professional and financial prerequisites, based, *inter alia*, on the following criteria: (i) transparency of the proprietary asset and efficiency of the management of the single points of acceptance of bets; (ii) strength of the network for the collection and acceptance of bets; (iii) rational and balanced distribution on the territory according to programmed and controllable parameters; (iv) homogeneity and balance of the remuneration set forth for the various categories of concessionaires; (v) guarantee of competition and market freedom by provision of parameters aimed at avoiding the abuse of dominant positions; and (vi) provision of a centralized real-time control of the bets and of the relevant financial flows. For the management of the bets, the concessionaire must adopt remote tools that comply with the technical specifications determined by the MEF. The right to collect bets directly at horse races is reserved for the owner of the race track. The transfer of the concession is allowed upon prior consent by ADM, in cooperation with the Ministry of Agricultural Policy. The cooperation is required because ADM has jurisdiction over horse racing betting, while the Ministry of Agricultural Politics has jurisdiction over other horse racing related matters (such as horse races, race courses, and the safeguarding of horse breeds).

(b) **Revocation of the Concessions**. ADM, together with the Ministry of Agricultural Politics, may revoke the concession, *inter alia*, in the following cases: (i) inability to comply with the requirements necessary for the award of the concession; (ii) interruption of the activities for causes other than force majeure; (iii) violation of certain legal provisions concerning the stockholders and the communication to the MEF of the transfer of shares or quota of the concessionaire and particularly of the prohibition of intermediation in the collection of bets; and (iv) violation of the provisions of Presidential Decree No. 169/1998 and of the decrees that regulates the type of permitted bets. The concessionaire who has been subject to a procedure of revocation (and managers and partners that exercise the control over the company that holds the concession subject to revocation pursuant to Article 2359 of the Italian civil code) cannot participate directly or indirectly in the tender process for the award of new concessions for three years following the date of publication of the relevant act.

(c) **Permitted Horse Race Bets and Official Program of the Races.** Bets can be made at national totalizers or at fixed odds. Bets at totalizers are those where the overall amount, net of the amount of a one-off tax withdrawal, is divided among the winners. The bets at fixed odds are those where the sum to be cashed in case of winning is previously agreed between the customer and the manager of the bets. Such bets can be carried out at the counters and agencies within the race courses. The MEF, in cooperation with the Ministry of Agricultural Politics, sets forth the types of bets permitted, which includes bets that can be placed by telephone or via remote connection, the number of the bets that can be placed and the limitations on amounts that can be bet. The official program of the races, prepared by the Ministry of Agricultural Politics, is verified annually by the Customs and Monopoly Agency.

(d) **Miscellaneous Provisions.** Additional relevant provisions include, *inter alia*, the following:

  (a) bets can be collected exclusively at race courses, horse race betting agencies and betting offices. Any form of intermediation is prohibited;

  (b) the receipt, certified by the acceptance systems, is the only proof of participation in the bet and cannot be replaced by any other form of proof;

  (c) each holder of ordinary horse racing betting concessions is subject to the payment of a withdrawal contribution (*quota di prelievo*) on pre-tax revenue (*introito lordo*) derived from totalizer and fixed odds horse racing bets to the Ministry of Agricultural Politics, at the rates currently set forth by Ministerial Decree of February 15, 1999. Such contribution is used to support the horse racing industry, including the remuneration of the TV services for reproduction of the images of the races in the points of sale or through other channels (e.g., internet) and which are of practical use to the consumers to place their bets; and

  (d) the acceptance of bets is the condition for the application of the one-off tax provided by Legislative Decree no. 504/1998, as amended by Law no. 220/2010 . The regulation, which was subject to certain amendments under the Italian 2016 Stability Law, indicates the taxable amount, the tax rate and the sanctions for failure to carry out the payments due.

Bersani Concessions

Upon implementation of the Bersani Decree of July 4, 2006 (converted into law by Law no. 248/2006) on liberalization and reorganization of the public gaming sector, we have been awarded two concessions for public gaming based on events other than horse races (the "**Bersani Sports Betting Concession**") and on horse racing events (the ''**Bersani**

Horse Racing Betting Concession") and for the establishment of the relevant distribution networks and related operation.

The Bersani Decree

The Bersani Decree confirmed the licensing system of the gaming sector, based on concessions, and the Italian State and the ADM as competent authorities in the area of public gaming. The Bersani Decree extends the availability of betting (previously limited to specialized agencies) to non-specialized points of sale known as sports corners (typically located in newsstands, bars or tobacconists), or agencies that offer horse and sports bets ;contains provisions that widen the range of operators which are entitled to participate in the tenders for the awarding of concessions and provides for principles aimed at reorganizing the Sports and horse racing games with a view to eliminating the distinction between operators of the two types of bets.

In particular, with the explicit purpose of fighting irregular and illegal gaming, tax evasion and evasion in the gaming sector and in order to ensure the safety of the players, the Bersani Decree introduced, *inter alia*, the following provisions:

(a) **Remote gaming and regulation of the characteristics of the points of sale**. The Bersani Decree provided, *inter alia*, that the following should have been the subject matter of specific regulations: (i) remote bets at fixed odds with forms of direct interaction between the single players; (ii) remote skill games with cash prizes (*giochi di abilità a distanza con vincita in denaro*), in which the outcome depends, compared to the random element, mainly upon the skill of the players and (iii) the requirements that the point of sale, having as its main activity the sale of public game products (i.e. Betting Shop), must satisfy. The aforementioned provisions concerning skill games were implemented by Ministerial Decree No. 186 of September 17, 2007.

(b) **Bersani Sports Betting Concessions**. Pursuant to the Bersani Decree, ADM must set forth the terms of the distribution of bets on events other than horse races, in compliance with the following key criteria: (i) inclusion, among public games, of totalizer bets and fixed odds bets on events other than horse races, sports pools, totip sports pools and horse race bets under Article 1, paragraph 498, of Law No. 311 of December 30, 2004 (*Vincente nazionale* and *Accoppiata nazionale*) and any other public game based on events other than horse racing; (ii) possibility of gaming collection on events other than horse racing by operators that exercise the gaming collection in an EU Member State, by operators of Member States of the European Free Trade Association and operators of other States, only if in possession of the requisites of reliability defined by ADM; (iii) exercise of the betting collection by means of points of sale having as main activity the marketing of public game products (which can be attributed sole selling rights exercise of certain types of bets) ("**Betting Shops**") and points of sale having as an accessory activity the marketing of public game products ("**Betting Corners**"); (iv) provision for the establishment of at least 7,000 new points of sale of which at least 30% must be Betting Shops; (v) determination of the maximum number of points of sale for each municipality in proportion to the inhabitants and in consideration of the points of sale already established; (vi) award of the points of sale upon prior call of one or more public tenders opened to all gaming operators, where the tender basis cannot be lower than (1) €50,000 for each Betting Shop and (2) €17,500 for each Betting Corner; and (vii) acquisition of the possibility to collect remote gaming, including skill games with cash prizes.

(c) **Bersani Horse Racing Betting Concessions.** Pursuant to the Bersani Decree, ADMS must set forth the terms for the distribution of horse racing games, in compliance with the following criteria: (i) inclusion, among horse racing games, of totalizer and fixed odds horse racing bets, totip sport pools, horse racing bets under Article 1, paragraph 498, of Law No. 311 of December 30, 2004 (i.e. *Vincente Nazionale* and *Accoppiata Nazionale*); (ii) the possibility of gaming collection on horse racing events by operators that exercise the gaming collection in an EU Member State, by operators of Member States of the European Free Trade Association and operators of other states, only if they satisfy ADM requirements; (iii) exercise of the betting collection by means of Betting Shops and Betting Corners; (iv) provision for the establishment of at least 10,000 new points of sale of which at least 5% must be Betting Shops; (v) determination of the maximum number of points of sale for each municipality in proportion to the inhabitants and in consideration of the points of sale already granted; (vi) award of the points of sale upon prior call of one or more public tenders opened to all gaming operators, where the tender basis cannot be lower than (1) €30,000 for each Betting Shop and (2) €7,500 for each Betting Corner; (vii) acquisition of the possibility to collect remote gaming, including skill games with cash prizes; and (viii) definition of the terms of safeguard of the concessionaires for the collection of bets on horse racing events regulated by Presidential Decree No. 169/1998.

Implementation of the Bersani Decree

As mentioned above, in implementing the Bersani Decree, ADM carried out two public tenders concerning the granting of the Bersani Sports Betting Concession and the Bersani Horse Racing Betting Concession. In particular, the tenders were aimed at the assignment of the rights for the opening of Betting Shops and Betting Corners for gaming activities and activation of remote gaming networks. The tenders held pursuant to the Bersani Decree assigned the rights to open 16,300 points of sale, of which (i) 500 horse racing Betting Shops, (ii) 9,500 horse racing Betting Corners, (iii) 1,900 sports Betting Shops, and (iv) 4,400 sports Betting Corners, as well as the right for the establishment of remote betting collection.

The Bersani Concessions were awarded to several operators, including Sisal Match Point.

Bersani Sports Betting Concession

The Bersani Sports Betting Concession was signed between Sisal Match Point (subsequently merged into Sisal Entertainment) and ADM on March 28, 2007 and will expire on June 30, 2016. It was originally scheduled to expire on December 30, 2015, but this date was postponed by ADM with decree no. 2007/49R/Giochi/UD of September 7, 2007.

The Bersani Sports Betting Concession governs the activities and functions related to management of public gaming on events that do not include horse racing, through setting up physical and remote distribution networks, and including the following:

(a) fixed bets;

(b) totalizator bets;

(c) sports pools; and

(d) any other type of public betting on events that do not include horse racing that ADM wishes to sell.

Under the Bersani Sports Betting Concession the concessionaire shall, *inter alia*, : (i) comply with and fulfil all requirements set out under the rules and regulations governing the individual public gaming items being Concessions, ADM and TULPS provisions and applicable law and regulations; (ii) comply with all disclosure obligations with respect to consumers regarding applicable gambling regulations and law on the protection of lawful and safe gambling; (iii) provide technological management for the distribution network and ensure proper exchange of information with the processing system; (iv) guarantee the complete, efficient and timely maintenance of the technological equipment, including the equipment installed at the points of sale; (v) make any technical adjustments requested by ADM; (vi) fulfil anti-mafia and anti-money-laundering obligations; (vii) set up the point of sale network only after the network has been configured; (viii) enter into contracts with the points of sale where they are owned by third parties; and (ix) if the rights pertaining to the points of sale are transferred or the points of sale are transferred, request approval from ADM.

Sisal Entertainment, *inter alia*, has the following duties with respect to the main financial obligations provided under the Bersani Sports Betting Concession: (i) to pay ADM the concession fee comprising a payment for each gaming shop, each place where bets can be placed, and authorization to start up remote betting and a percentage of the net movement of the amounts collected; (ii) meet the expenses related to the installation and management of the technological equipment related to the activity being licensed; (iii) meet the management expenses of the technological platforms for the remote collection of public gaming amounts; (iv) ensure the timely and correct payment of winnings relating to the bets accepted; (v) if the obligations provided under the agreement are breached, pay ADM the penalties due; and (vi) provide the guarantees to ADM as provided for under the agreement.

Sisal Entertainment will receive the following, *inter alia*, for the exercise of the activities carried out in accordance with the Bersani Sports Betting Concession, for the bets collected through its points of sale network and its remote betting network: (i) for fixed bets, the amounts obtained less the taxes and winnings from the net movement; while (ii) for totalizator bets and sports pools, an amount corresponding to a percentage of the net movement.

In addition, *inter alia*, Sisal Entertainment must: (i) notify ADM of any change to its corporate structure exceeding 2% of its capital or corporate assets, not including the sale or placement of its shares on a financial market; (ii) comply with the prohibition on transferring equity holdings to other concessionaire companies or parties who have equity holdings in other concessionaire companies; and (iii) comply with the prohibition on the partial or total transfer, direct or indirect, of ownership of the Bersani Sports Betting Concession unless otherwise authorized by ADM in accordance with the agreement.

ADM may revoke the Bersani Sports Betting Concession for reasons of public interest with a determination order, providing reasons. In addition to the other examples provided in the agreement, ADM may order the revocation of the Sports Betting Concession if Sisal Entertainment, *inter alia*,: (i) breaches provisions on public gaming in a serious and repeated manner, or those governing the repression of irregular, unlawful or unlicensed gambling; (ii) breaches the obligations or duties, including communication obligations or duties, provided under the agreement; (iii) does not pay the amounts due in accordance with the procedures and time limits provided in the agreement; (iv) loses one of the essential requirements provided by the selection procedure and applicable law; (v) does not provide the necessary guarantees within the time limits indicated; and (vi) sells, on its own behalf or through companies related in any manner, betting games that are similar to public gaming or other games managed by ADM or games that are prohibited under Italian law. ADM may also discontinue the sale of one or more public gaming items at any time at its sole discretion and without having to compensate the concessionaire.

Horse Racing Betting Concession known as Bersani

The Bersani Horse Racing Betting Concession was signed between Sisal Match Point (subsequently merged into Sisal Entertainment) and ADM on March 28, 2007 and will expire on June 30, 2016. It was originally scheduled to expire on December 30, 2015, but this date was postponed by ADM with decree no. 2007/49R/Giochi/UD of September 7, 2007.

The Bersani Horse Racing Betting Concession governs the activities and functions related to management of public gaming related to horse racing through setting up physical and remote distribution networks, and including the following:

(a) fixed horse racing bets;

(b) totalizator horse racing bets;

(c) sports pools; and

(d) any other type of public betting on horse racing events that ADM wishes to sell.

The main obligations, including financial obligations, that Sisal Entertainment must fulfil with respect to the activities and functions governed by the Bersani Horse Racing Betting Concession are similar to the obligations provided under the Bersani Sports Betting Concession noted above.

In exchange for the exercise of the activities carried out in accordance with the Bersani Horse Racing Betting Concession, the consideration received by Sisal Entertainment shall be calculated in view of the same criteria set out in relation to the Bersani Sports Betting Concession, with the specification, that for the fixed horse racing bets, the concessionaire will be owed a payment equal to the amount remaining from the bets, net of the winnings, minus the single tax and the percentage due to the Ministry of Agricultural Politics.

As provided for the Bersani Sports Betting Concession, Sisal Entertainment must, *inter alia*: (i) notify ADM of any change to its corporate structure exceeding 2% of its capital or corporate assets, not including the sale or placement of its shares on a financial market; (ii) comply with the prohibition on transferring equity holdings to other concessionaire companies or parties who have equity holdings in other concessionaire companies; and (iii) comply with the prohibition on the partial or total transfer, direct or indirect, of ownership of the Bersani Horse Racing Betting Concession unless otherwise authorized by ADM in accordance with the agreement.

ADM may revoke the Bersani Horse Racing Betting Concession for reasons of public interest with a determination order, providing reasons. In addition to the other examples provided in the agreement, ADM may order the revocation of the Bersani Horse Racing Betting Concession if Sisal Entertainment, *inter alia*: (i) breaches provisions on public gaming in a serious and repeated manner, or those governing the repression of irregular, unlawful or unlicensed gambling; (ii) breaches the obligations or duties, including communication obligations or duties, provided under the agreement; (iii) does not pay the amounts due in accordance with the procedures and time limits provided in the agreement; (iv) loses one of the essential requirements provided by the selection procedure and applicable law; (v) does not provide the necessary guarantees within the time limits indicated; and (vi) sells, on its own behalf or through companies related in any manner, betting games that are similar to public gaming or other games managed by ADM or games that are prohibited under Italian law. ADM may also discontinue the sale of one or more public gaming items at any time at its sole discretion and without having to compensate Sisal Entertainment.

New Concession

The agreement related to the new horse racing and sports betting concession (the "**New Concession**'') was signed between Sisal Match Point (subsequently merged into Sisal Entertainment) and ADM on March 31, 2013 and will expire on June 30, 2016. In order to guarantee continuity of service, ADM reserves the right to extend the term of the New Concession by additional six months under the same terms and conditions provided for under the agreement.

The New Concession relates to the joint exercise of the following public gaming items related to horse racing and sports and non-sports events, through a physical network of shops:

(a) fixed bets;

(b) totalizator bets;

(c) sports pools;

(d) Italian and international horse racing betting games; and

(e) bets on simulated events.

Under the New Concession, Sisal Entertainment must, *inter alia,*: (i) comply with and fulfil all requirements set out under the rules and regulations governing the individual public gaming items being licensed, ADM and TULPS provisions and applicable law and regulations; (ii) comply with all disclosure obligations with respect to consumers regarding gambling regulations and applicable law on the protection of lawful and safe gambling; (iii) provide technological management for the distribution network and ensure the proper exchange of information with the processing system; (iv) guarantee the complete, efficient and timely maintenance of the technological equipment, including the equipment installed at the points of sale; (v) make any technical adjustments requested by ADM; (vi) fulfil anti-mafia and anti-money laundering obligations; (vii) set up the point of sale network only after the network has been configured; (viii) enter into contracts with the points of sale where they are owned by third parties; and (ix) guarantee commercial management of the network of shops.

Sisal Entertainment has, *inter alia,* the following duties with respect to the main financial obligations provided under the New Concession: (i) to pay ADM the concession fee comprising a payment for each right licensed and a percentage of the net movement of the amounts collected; (ii) meet the expenses related to the installation and management of the technological equipment related to the activity being licensed; (iii) keep its debt ratio (*rapporto di indebitamento*) under the value established by the applicable regulation for the entire duration of the New Concession; (iv) maintain the equity position requirements as provided by applicable regulations; (v) distribute its profits, including extraordinary distributions, only after having fulfilled all the investment obligations provided for; (vi) meet the management expenses of the technological platforms for the remote collection of public gaming amounts; (vii) ensure the timely and correct payment of winnings relating to the bets accepted; (viii) if the obligations provided under the agreement are breached, pay ADM the penalties due; (ix) provide the guarantees to ADM as provided for under the New Concession; and (x) notify ADM of the funding and guarantees given on a timely basis, and in any case no later than ten days from when the event occurs.

In exchange for exercise of the activities carried out in accordance with the New Concession, Sisal Entertainment will receive: (i) for fixed bets and for the bets on simulated events, the amounts obtained less the taxes and charges established by applicable law from the net movement (for example withholdings for the Ministry of Agricultural Politics) and the amount of the winnings; and (ii) for the totalizator bets, the sports pools and the Italian and international horse racing bets, an amount corresponding to a percentage of the net movement.

Sisal Entertainment must, *inter alia*: (i) request prior authorization following communication of any change in its corporate structure exceeding 2% of its capital or corporate assets, not including the sale or placement of its shares on a financial market; (ii) comply with the prohibition on transferring equity holdings to other concessionaire companies or parties who have equity holdings in other concessionaire companies; and (iii) comply with the prohibition on the partial or total transfer, direct or indirect, of ownership of the New Concession and rights in the shops.

ADM may revoke the New Concession for reasons of public interest with a determination order, providing reasons. ADM may order the revocation of the New Concession if Sisal Entertainment, *inter alia*,: (i) breaches applicable provisions on public gaming in a serious and repeated manner, or those governing the repression of irregular, unlawful or unlicensed gambling; (ii) breaches the obligations or duties, including communication obligations or duties, provided under the agreement; (iii) does not pay the amounts due in accordance with the procedures and time limits provided in the agreement; (iv) loses one of the essential requirements provided by the selection procedure and applicable law; (v) does not provide the necessary guarantees within the time limits indicated; and (vi) organizes, exercises or collects public gaming items using different procedures or techniques to those provided under applicable law, regulations or agreements.

Upon expiry of the New Concession or if it is revoked, Sisal Entertainment must transfer the tangible and intangible assets that comprise the betting game collection network to ADM if it so requests on a gratuitous basis. The assets must not be burdened by the rights or claims of third parties. The transfer shall be carried out in joint consultation between ADM and Sisal Entertainment. Any charges related to transfer of the physical distribution network shall be borne by the concessionaire.

"Giorgetti" Concession

In 1999, the Italian Government decided to increase the number of horse racing betting centers in Italy from 329 to 1,000, by offering 671 new licenses by tender and by renewing the 329 existing ones ("**Renewed Horseracing Concessions**").

On July 24, 2001, the European Commission initiated infringement procedures against Italy pursuant to Article 226 of the European Community Treaty (the "**EC Treaty**"), in which the renewal of the Renewed Horseracing Concessions were challenged on the basis that they were carried out without inviting any competing bids, in breach of the general principles of EC competition law and freedom of establishment as set out in the EC Treaty.

In response, the Italian Government adopted Law Decree No. 452/2001 (superseded by Law No. 16/2002), providing that the Renewed Horseracing Concessions were to be reallocated by way of a Community call for tenders, and that they would remain valid until that reallocation had been finalized. The European Commission was unsatisfied with the implementation of the provisions of Law No. 16/2002 and issued a reasoned opinion on October 16, 2002 asking the Italian Republic to adopt the necessary measures to comply with the reasoned opinion within two months from its receipt. By letter of December 10, 2002, the Italian Government responded that it had to conduct a detailed assessment of the financial status of the existing concession holders before issuing a call for tenders. Subsequently, UNIRE's resolution No. 107 of October 14, 2003, by implementing Article 8, paragraph 13, of Law No. 200/2003, in light of the financial difficulties encountered by the sector, provided for the renewal of the Renewed Horseracing Concessions until 2012, in favor of those concessionaires who had signed the agreement for the settlement of their debts in relation to the Renewed Horseracing Concessions.

As a result of the continuing failure of the Republic of Italy to comply with the European Commission's reasoned decision No. 1999/5352 of October 16, 2002, the Commission appealed to the European Court of Justice ("**ECJ**"). In its conclusions presented on March 29, 2007, Advocate General Sharpston asked the ECJ to ascertain that the Republic of Italy failed to fulfil its obligations under Article 226 of the EC Treaty.

On September 13, 2007, the ECJ confirmed the conclusion of the Advocate General, that by renewing the 329 Renewed Horseracing Concessions without inviting any competing bids, Republic of Italy failed to fulfil its obligations under Articles 43 and 49 EC Treaty and, in particular, infringed the general principle of transparency and the obligation to ensure a sufficient degree of advertising. Therefore, pursuant to Article 4-bis of Law Decree No. 59 of April 8, 2008, superseded by Law No. 101 of June 6, 2008, as further implemented by Article 1-bis of Law Decree No. 149/2008 (superseded by Law No. 184/2008 and amended by Article 2, paragraph 49 and 50 of Law No. 203/2008) the Government revoked all Renewed Horseracing Concessions. On February 3, 2009 and February 9, 2009, in line with the ECJ's judgment, ADM published a call for the tender of the 329 Renewed Horseracing Concessions in the European Union Official Journal and in the Italian Official Journal. The purpose of the public tender was to award concessions for the exercise of horseracing public gaming, by opening and managing 3,000 horse racing Betting Corners (the "**Giorgetti Concessions**"). In May 2009, concessionaires, including Sisal Match Point, were awarded Giorgetti Concessions and the relevant agreement was executed on July 3, 2009. The Giorgetti Concessions granted to Sisal Entertainment will expire on June 30, 2016.

The Giorgetti Concession involves the joint exercise of public gaming relating to horse racing through the start-up of distribution networks and their management, including:

(a) fixed horse racing bets;

(b) totalizator horse racing bets; and

(c) sports pools.

With respect to the activities and functions governed by the Giorgetti Concession, Sisal Entertainment shall, *inter alia*: (i) comply with and fulfil all requirements set out under the rules and regulations governing the individual public gaming items being Concessions, ADM and TULPS provisions and applicable law and regulations; (ii) comply with all disclosure obligations with respect to consumers regarding applicable gambling regulations and law on the protection of lawful and safe gambling; (iii) provide technological management for the network of betting shops and ensure proper exchange of information with the processing system; (iv) guarantee the complete, efficient and timely maintenance of the technological equipment, including the equipment installed at the points of sale; (v) guarantee full compliance of the technological equipment with all requirements, ensuring the function, effectiveness and the quality, and make any technical adjustments requested by ADM; (vi) set up the network of the betting shops only after the network has been configured; (vii) ensure that the activities carried out by the betting shops are lawful, and that there is no unlawful or unauthorized behavior; and (viii) regularly provide any support material necessary to collect the income from public gaming.

Sisal Entertainment has, *inter alia*, the following duties with respect to the main financial obligations provided under the Giorgetti Concession: (i) to pay ADM the concession fee comprising a payment for each authorization to open a betting shop and a percentage of the net movement of the amounts collected; (ii) meet the expenses related to the installation and management of the technological equipment related to the activity being licensed; (iii) incur all the expenses and charges, including tax, related to the activities being licensed; (iv) ensure the timely and correct payment of winnings relating to the bets accepted; (v) if the obligations provided under the agreement are breached, pay ADM the penalties due; and (vi) provide the guarantees to ADM as provided for under the agreement.

In exchange for the right to exercise the activities carried out in accordance with the Giorgetti Concession, Sisal Entertainment has the right to the following, *inter alia*: (i) for the fixed horse racing bets, the amounts obtained less the taxes and charges established by applicable law from the net movement (for example withholdings for the Ministry of Agricultural Politics) and the amount of the winnings; (ii) for totalizator horse racing bets, an amount corresponding to a percentage of the gross takings; and (ii) for the horse racing and sports pools, an amount corresponding to a percentage of the net movement.

In addition, Sisal Entertainment must, *inter alia*: (i) notify ADM of any change to its corporate structure exceeding 2% of its capital or corporate assets, not including the sale or placement of its shares on a financial market; (ii) comply with the prohibition on transferring equity holdings to other concessionaire companies or parties who have equity holdings in other concessionaire companies; and (iii) comply with the prohibition on the partial or total transfer, direct or indirect, of the Giorgetti Concession.

ADM may revoke the Giorgetti Concession for reasons of public interest with a determination order, providing reasons. ADM may order the revocation of the Giorgetti Concession if Sisal Entertainment, *inter alia*,: (i) breaches provisions on public gaming in a serious and repeated manner, or those governing the repression of irregular, unlawful or unlicensed gambling; (ii) breaches the obligations or duties, including communication obligations or duties, provided under the agreement; (iii) does not pay the amounts due in accordance with the procedures and time limits provided in the agreement; (iv) does not provide the necessary guarantees within the time limits indicated; and (v) sells, on its own behalf or through companies related in any manner, games that are similar to public gaming items or other games managed by ADM, or games that are prohibited under Italian law. ADM may also discontinue the sale of one or more public gaming items at any time at its sole discretion and without having to compensate Sisal Entertainment.

Public Tender Procedures for the Renewal of the Betting Concessions

As mentioned above, all our Betting concessions expire on June 30, 2016. Italian 2016 Stability Law and recent ADM regulatory acts provide, *inter alia*, that current betting concessionaires will continue to operate such concessions post-expiration date, in case they inform ADM that they intend to participate in new public tender procedures for the awarding of the new betting concessions. Such new public tender procedures are expected to be completed by June 30, 2017. Furthermore, according to the Italian 2016 Stability Law, the new Betting Concession will last nine years and will be non-renewable.

Online Gaming

Licensing Requirements for the Exercise of Remote Skill Games with Cash Prizes

The Bersani Decree also introduced remote games of skill in Italy, including remote card games, such as online poker, that satisfy the following requirements: (i) they are organized in the form of a tournament (except as otherwise provided by ADM) and (ii) for such games the relevant stake is represented by the sole amount paid for registration in Italy.

The requirements to exercise remote skill games with cash prizes are regulated by the Bersani Decree and by Ministerial Decree No. 186 of September 17, 2007 (the "**Regulation**") as well as by implementing ADM's decrees and circular letters. The management of remote skill games, as currently exercised, is subject to (i) the concessions set out in the Bersani Decree; (ii) an authorization issued by ADM after verification of the security standards of the skill game platform structure; and (iii) an authorization of the skill game plan pursuant to the Regulation.

The gaming operators entitled to file requests for authorization to exercise skill games (including online poker) with ADM pursuant to the Regulation are all holders of the Bersani Concessions. ADM simplified the authorization procedures for those concessionaires that intend to use skill game platforms and skill game plans and that are already authorized, favoring these over other concessionaires, upon the condition that a copy of the relevant authorizations be attached to the applications.

As part of the current temporary regime, which is provided by the Regulation, concessionaires authorized to operate remote skill games pursuant to Directorial Decree of March 21, 2006 can offer sessions of remote skill games only to those consumers who have entered into a game account agreement with them which has been subsequently approved by ADM. In order to execute the agreement, the operator must check the player's personal details, age, and fiscal code. Only one agreement per player per concessionaire can be executed. In case of the termination or withdrawal of the agreement, the execution of a new agreement with the same player is not allowed for 30 days from the date of termination or withdrawal of the agreement.

ADM Measures aimed at the Closing Down of Illegal Websites

Article 1, paragraph 50, of Law No. 296/2006, provides that, in line with the principles stated by Article 38 of the Bersani Decree and with the purpose of fighting the spread of illegal games and tax evasion in the gaming sector, as well as to ensure public order and the protection of players, ADM should set forth ways to eliminate the offering of games, betting and sports pools with cash prizes, by means of telecommunication networks, without concessions, authorizations, licenses or other permits or which are, in any case, offered in violation of the existing legal framework.

ADM Directorial Decrees No. 1034/CGV of January 2, 2007, May 29, 2007 and June 10, 2008, implementing provisions of the Bersani Decree, introduced a set of fines for website operators not complying with ADM standards, ranging from €30,000 to €180,000 per ascertained violation.

A list of the websites removed for not being in compliance with applicable legal standards is set out on ADM's official website.

Numeric Games at National Totalizer Concession

On January 26, 2008, the NTNG concession was awarded to Sisal on an exclusive basis. The NTNG concession agreement was executed between Sisal and ADM on June 26, 2009 and it will expire on June 26, 2018. In order to guarantee continuity of service, ADM reserves the right to unilaterally delay the expiry of the agreement entered into for a further 6 months under the same terms and conditions provided for under the agreement.

On the basis of the NTNG concession, Sisal currently manages the information system and the relevant network of all national totalizator number games, including SuperEnalotto, SuperStar, SiVinceTutto, Win For Life and Eurojackpot and has also commenced the platform for the management of the collection of games by remote devices. As exclusive concessionaire, Sisal must allow for the collection of games by other operators using remote selling points provided these are compliant with the technical standards approved by ADM. As consideration for the distribution of the games, Sisal receives a consideration equal to a percentage of the bets collected which increases with the amount of remotely collected bets.

The NTNG concession was granted to Sisal by ADM on the basis of a public tender process in accordance with Article 1, paragraph 90, of Law No. 296/2006 indicating the criteria for the selection of the NTNG concessionaire. Among the

other things, Article 1, paragraph 90, of Law No. 296/2006 establishes that the concessionaire must be selected between qualified national and foreign operators that take part in the tender process and, among them, to the operator that submits the best technical and economical offer for the implementation and operation of system concerning the management of the numeric games at national totalizer.

With its bid Sisal undertook, among other things, to ensure a minimum turnover of €350 million in each two-month period and to invest an annual amount equal to a percentage of the turnover for the first 18 two-month periods from July 1, 2009 to June 30, 2012. During the two-month period from May 1, 2012 to June 30, 2012, Sisal only achieved a turnover of €317.3 million. On September 2012 ADM requested we pay a penalty of €16.5 million which we challenged before the TAR Lazio. On February 13, 2013, the TAR rejected our claim and reinstated the penalty. See "*Business—Legal Proceedings—Pending Litigation Regarding Minimum NTNG turnover*". To secure its obligations under the concession, Sisal is required to provide ADM with certain security deposits, the amount of which is determined annually based on Sisal's turnover.

Certain competitors have challenged the award of the NTNG concession to Sisal on the basis that Sisal's bid was not in compliance with market standards (i.e. "*offerta anomala*"). See "*Business—Legal Proceedings—Pending Litigation Regarding the NTNG Concession*".

With respect to the activities and functions governed by the NTNG Concession, Sisal must, *inter alia*,: (i) comply with and fulfil all requirements set out under the rules and regulations governing the NTNGs, ADM and TULPS provisions and applicable law and regulations; (ii) comply with all disclosure obligations with respect to consumers regarding gambling regulations and applicable law on the protection of lawful and safe gambling and ensure compliance with prohibitions on gambling by minors, and—in that sense—also bind the parties that it has contractual relations with to carry out activities covered by the NTNG Concession; (iii) fulfil anti-mafia obligations; (iv) give prior notice to ADM of any change in the composition of its corporate bodies; (v) ensure that the NTNG takings are collected properly; (vi) distribute the NTNG participation forms and support materials; (vii) ensure that the points of sale receive the necessary assistance and support for sale of the NTNGs; (viii) start up and manage the remote distribution network; (ix) maintain the technological and market value of the physical distribution network; (x) ensure that other operators have the chance to manage their games through the Sisal network; and (xi) open new points of sale, entering into contracts that comply with ADM guidelines; and (xii) acknowledge all ADM's exclusive rights to industrial ownership and the right to use and gain financial benefit from the intellectual works it created to carry out the activities governed by the NTNG Concession.

With respect to the main financial obligations provided under the NTNG Concession, Sisal shall, *inter alia*: (i) pay ADM the annual concession fee equal to a percentage of the NTNG takings; (ii) keep its debt ratio (*rapporto di indebitamento*) under a certain value for the entire duration of the NTNG Concession; (iii) pay the amounts owed to the points of sale; (iv) ensure the timely and correct payment of winnings to the consumers; (v) provide the guarantees to ADM as provided for under the NTNG Concession; and (vi) if the obligations provided under the agreement are breached, pay ADM the penalties due.

Sisal has the following rights, *inter alia*, with respect to exercise of the activities provided for under the NTNG Concession: (i) to receive a payment, for each NTNG, of a percentage of the total amounts collected through the physical distribution network; and (ii) to receive an additional incremental amount if the tax revenue levels established under the NTNG Concession agreement are exceeded. In addition, in accordance with applicable regulations, Sisal has the right to receive a payment amounting to a percentage of the value of the wagers collected from the operators who carry out their business through the Sisal network.

In addition and *inter alia*, Sisal must: (i) notify ADM of any change to its corporate structure exceeding 5% of its capital or corporate assets, not including the sale or placement of its shares on a financial market; (ii) maintain the shareholding percentage for corporate control for the first three years (if the concessionaire transfers after three years from the NTNG Concession agreement, the transferee of the shareholding percentage for corporate control must also comply with the prohibition on transferring for the first three years following the purchase date); and (iii) comply with the prohibition on the partial or total transfer, direct or indirect, of ownership of the NTNG Concession unless otherwise authorized by ADM in accordance with the agreement.

ADM may revoke the NTNG Concession for reasons of public interest with a determination order, providing reasons. In addition to the other examples provided in the agreement, ADM may order the revocation of the NTNG Concession if Sisal, *inter alia*,: (i) breaches NTNG provisions in a serious and repeated manner, or those governing the repression of irregular, unlawful or unlicensed gambling; (ii) breaches its obligations or duties, including communication obligations or duties, provided under the agreement; (iii) does not pay the amounts due under the NTNG Concession in accordance with the procedures and time limits provided in the agreement; (iv) does not ensure the minimum guaranteed collection levels of the NTNGs for two consecutive bi-monthly periods; and (v) does not provide the necessary guarantees within the time limits indicated.

ADM may also discontinue the sale of one or more public gaming items at any time at its sole discretion and without having to compensate Sisal.

At the end of the NTNG Concession, or if it is revoked, Sisal must transfer all the assets making up the physical distribution network to ADM on a gratuitous basis, including both the tangible and intangible assets used for management of the telecommunication network for the NTNG takings, along with the telecommunication network. Any charges related to transfer of the physical distribution network shall be borne by the concessionaire.

Further Aspects of the Regulatory Framework

Changes to the Gaming Concession Legal Framework Regarding the Exercise and Remote Collection of Bets and Games

The current legal and regulatory framework of public games outlined above has been consolidated into Article 24, paragraphs 11-26 of Law No. 88 of 7 July, 2009 (the "**2008 Community Law**''), which was passed by the Italian Parliament in order to ensure compliance of the Italian regulation with the principles of freedom of establishment (Article 43 EC) and freedom to provide services (Article 49 EC). The 2008 Community Law has determined the need to merge the existing concessions and that introduced significant integrations and changes to the process, requirements and conditions for the exercise of the games in the future, as described below.

The purpose of this regulation is to curtail the spread of irregular and illegal games and betting and to ensure the protection of consumers and of public order, the protection of minors as well as the avoidance of infiltration of organized crime into the gaming sector. Additionally, the regulatory framework aims to modify and integrate the existing Italian regulatory framework to comply with Articles 43 and 49 of the EC Treaty, the provisions of the TULPS and the principles of non-discrimination, necessity, proportionality and transparency, with a view to open the Italian market to further competition from abroad.

In particular, the concessions for the exercise and remote collection of certain public games can directly be issued by ADM upon the filing of an application by gaming operators that meet specific requirements and comply with certain economic obligations rather than being assigned by public tender only. See "*Regulation of Certain Aspects of the Gaming Sector."* Additionally, the regulatory framework provides that current concessionaires may broaden their range of activities carried-out by filing an application to ADM. The 2008 Community Law entitles ADM to integrate the provisions illustrated below by means of ADM' s directorial decrees. Said provisions have been, in part, implemented by ADM' s directorial decrees on the basis of a specific feasibility project in accordance with Article 24, paragraph 26 of 2008 Community Law.

Regulation of Certain Aspects of the Gaming Sector

Pursuant to Article 24, paragraph 12, of 2008 Community Law ADM is entitled to introduce detailed regulations, in compliance with the provisions of the 2008 Community Law, relating to following public games, listed under Article 24, paragraph 11 of the 2008 Community Law:

(a) fixed odds or totalizer bets on sport events, including virtual sports events and horse racing events;

(b) horse racing and sport pools;

(c) national horse racing games;

(d) skill games;

(e) fixed odds bets with direct interaction between the players;

(f) bingo;

(g) numeric games at the national totalizer; and

(h) lotteries at instantaneous and deferred drawing.

Requirement that Written Formal Contracts with Certain Retail Partners and Managers are Executed and Submitted to ADM upon request

Pursuant to the agreement governing our VLTs and AWPs concessions, concessionaires are required to execute formal contracts with, among others, each of their third party retail partners, including owners and operators of AWPs, (any such third party has to be included in the list held by ADM pursuant to Decree of the Italian Ministry of Finance no. 31857 dated September 9, 2011), and provide copies thereof to ADM upon request. ADM required all concessionaires to comply with such requirements by September 20, 2013. A concessionaire's failure to comply with this requirement could result in ADM imposing annual sanctions and administrative penalties of up to 11% of the actual compensation a concessionaire receives for the network connection services provided for VLTs and AWPs in the year in which such violations occurred or are alleged to have occurred.

Condition for the Exercise of Numeric Games at the National Totalizer and Lotteries by Other Concessionaires

The remote collection of the public games indicated by Article 24, paragraph 11 of the 2008 Community Law, letters (g) and (h), can be carried out by those concessionaires authorized to provide the same games through physical channels (i.e., on a non-remote basis) upon ADM's authorization. In addition, said concessionaires for the remote collection of the abovementioned public games must obtain a license issued by the current holders of the NTNG concessions. Such license must provide that said concessionaires pay a commission not lower than the one recognized by the managers of the points of sale of such games that are part of the physical collection network of the current sole holder of the respective concessions.

Conditions for the Issuance of New Concessions

The exercise and remote collection of the public games indicated in Article 24, paragraph 11, letters a) to f) of 2008 Community Law is permitted to (i) operators that fulfil certain requirements and that undertake the obligations described below in favor of which ADM shall issue a nine-year concession; and (ii) operators that already hold a concession for the exercise and collection of one or more public games by means of physical and/or remote networks. Notwithstanding the foregoing, ADM may limit new concessions to a maximum of 200 for fixed odds or totalizer bets on sport events, including virtual sports events, and including horse racing events.

New Concessions in Favor of New Operators

Subject to compliance with the following requirements and conditions, new concessions can be issued to operators as indicated in the section entitled "—Condition for the Issuance of New Concessions" above:

(a) the operator must exercise the activity of managing and collecting games, by remote or physical point, in one of the member states of the European Economic Area, where the operator must have been registered or where they have located a business office, based on a valid and effective authorization issued according to the legal system of such state, with an overall turnover, connected to the Gaming activity, of no less than €1,500,000 during the last two fiscal years closed before the date of submission of the application;

(b) if the requirements indicated under (a) above are not satisfied, the operator must (i) have a technical infrastructural capacity not lower than that required by the technical specification signed by the current concessionaires, as certified by a technical report signed by a third independent party; and (ii) set up a first demand two-year bank or insurance guarantee in favor of ADM in an amount equal to €1,500,000;

(c) the operator must be set up as a corporation (società di capitali) with registered office in one of the member states of the European Economic Area, prior to the issuance of the concession and execution of the relevant concession agreement;

(d) the chairman, managers and agents of the operators must meet certain specific ethical and professional requirements such as compliance with tax and social securities legislation;

(e) the technological hardware and software infrastructure for the exercise of the Gaming activity which is the subject matter of the concession must be located in one of the states of the European Economic Area;

(f) the operator must pay to ADM a one-off fee, covering the entire duration of the concession, as contribution to the expenses for the technical and administrative management by ADM of the licensed activity, in an amount equal to €300,000 plus VAT for skill game concessions. This amount can be increased every three years based on the index of national consumer prices for the general public (NIC) published by ISTAT; and

(g) the operator must execute a specific deed of undertaking.

Condition for the Exercise of New Games by Existing Concessionaires

Existing concessionaires that apply for a concession for the exercise and remote collection of those games that are listed in Article 24, paragraph 11, letter a) to f) (i.e., all games mentioned in *"—New Regulation of Certain Aspects of the Gaming Sector"* with the exception of the numeric games at national totalizer and lotteries) to broaden or complete their existing offering of games they are already entitled to provide and exercise remote collection, must pay to ADM a one-off fee of the amount indicated below:

(a) concessionaires that hold a concession for Bingo games which file an application concerning the games indicated in Article 24, paragraph 11, letter a) to e) (i.e., all games mentioned in "*—New Regulation of Certain Aspects of the Gaming Sector*" excluding bingo, numeric games at national totalizer and lotteries) must pay €300,000;

(b) concessionaires that hold Bersani Decree Concessions which file an application concerning Bingo games must pay a contribution of €50,000; and

(c) concessionaires holding concessions relating to all remaining games, and that are not already entitled to the remote collection of their games which file an application concerning the games indicated in Article 24, paragraph 11,

letter a) to f) (i.e., all games mentioned in "*—New Regulation of Certain Aspects of the Gaming Sector*" excluding numeric games at the national totalizer and lotteries) must pay €350,000.

These amounts can be increased every three years based on the index of national consumer prices for the general public (NIC) published by ISTAT.

Content of the Relevant Applications for New Concessions

The law prescribes the content of an application for a concession and the application form must be published on ADM' s website. Submission of the application entails the undertaking of several obligations in a deed of undertaking, which shall be valid throughout the life of the concession agreement. The procedure for the assessment of the applications must be completed by ADM within 90 days from filing of the application. Within 90 days from the date indicated by ADM, the concessionaire for the exercise and remote collection of public games must sign an addendum to the existing concession which conforms the existing concession to the changed regulatory framework outlined above.

Condition for the Exercise of Remote Games

The management of remote games is conditioned on the establishment of a game account agreement between the player and the concessionaire. ADM is required to publish a model game account agreement which must comply with the provision of the 2008 Community Law on its website.

GDA (giochi a distanza) Concession

In accordance with the new provisions of the 2008 Community Law, ADM launched a procedure for awarding the concessions for the exercise of remote games. Such process was open to (a) new operators and (b) existing concessionaires by means of the physical and remote network, or both.

In case sub (b) the tender process was aimed at the integration of the existing concessions for the exercise of the remote collection of games and bets for the purpose to adequate such concessions to the new requirements introduced by the 2008 Community Law.

ADM has awarded approximately 200 concessions for the remote collection of bets and games (the "**GAD Concessions**") concerning, *inter alia*: (i) horse racing and sport pools; (ii) skill games (e.g. poker cash); (iii) bingo; and (iv) numeric games at national totalizer.

Having participated in the tender process as existing concessionaire, Sisal Match Point has been awarded with a GDA concession and has been authorized to the remote collection of the above mentioned games.

Sisal Entertainment participated in said tender procedure as an existing concessionaire and obtained the awarding of the GDA Concession for the remote collection of the above mentioned games. The GDA Concession was executed on November 11, 2011 and it will expire on November 11, 2020.

The GDA Concession governs the activities and functions for the exercise of the following public gaming items, through remote collection, not including collection at public places with equipment that permits participation via telecommunication, and including:

(a) sports bets;

(b) horse racing bets;

(c) games of skill; and

(d) bingo.

With respect to the activities and functions governed by the GDA Concession, Sisal Entertainment, among others, must comply with the following main obligations,: (i) comply with and fulfil all requirements set out under the rules and regulations governing the individual public gaming items being licensed, ADM and TULPS provisions and applicable law and regulations; (ii) comply with all disclosure obligations with respect to consumers regarding gambling regulations, the general terms of the player account contract and applicable law on the protection of lawful and safe gambling; (iii) comply with the provisions of anti-mafia and anti-money laundering laws and the law on processing personal data; (iv) ensure that the requirements and conditions to hold the GDA Concession remain valid; (v) set up the telecommunication network for the remote collection of the amounts due in accordance with the technical rules established by the ADM; (vi) enter into a player account contract with each player for the exercise of remote collection; and (vii) comply and/or enforce compliance of the prohibition on intermediation for the remote collection of amounts wagered and the prohibition on collecting from physical places.

Sisal Entertainment has, among others, the following duties with respect to the main financial obligations provided under the GDA Concession: (i) to pay ADM the concession fee comprising a fixed payment determined by the agreement and a percentage of the payment received in relation to the amounts collected; (ii) to incur all the expenses and charges, including tax, related to the activities being licensed; (iii) to ensure the timely and correct payment of winnings relating

to the bets accepted; (iv) if the obligations provided under the agreement are breached, pay ADM the penalties due; and (v) provide the guarantees to ADM as provided for under the GDA Concession.

In exchange for the right to exercise the activities carried out in accordance with the GDA Concession, Sisal Entertainment has the right to the following, *inter alia*: (i) for the fixed horse racing bets, the amounts obtained less the taxes and charges established by applicable law from the net movement (for example withholdings for the Ministry of Agricultural Politics) and the amount of the winnings; (ii) for totalizator horse racing bets, an amount corresponding to a percentage of the gross takings; (iii) for the fixed sports bets, the amounts obtained less the taxes and charges established by applicable law from the net movement and the amount of the winnings; (iv) for totalizator sports bets, an amount corresponding to a percentage of the gross takings; and (v) for the horse racing and sports pools, the games of skill and the bingo, an amount corresponding to a percentage of the net movement.

In addition, Sisal Entertainment must, *inter alia*: (i) notify ADM of any change to its corporate structure exceeding 5% of its capital or corporate assets, not including the sale or placement of its shares on a financial market and (ii) comply with the prohibition on the partial or total transfer, direct or indirect, of the GDA Concession.

ADM may revoke the GDA Concession for reasons of public interest with an order, providing reasons. In addition to the other examples provided in the agreement, ADM may order the revocation of the GDA Concession if Sisal Entertainment, *inter alia*: (i) breaches applicable provisions on public gaming in a serious and repeated manner, or those governing the repression of irregular, unlawful or unlicensed gambling; (ii) breaches the obligations or duties, including communication obligations or duties, provided under the agreement; (iii) does not pay the amounts due in accordance with the procedures and time limits provided in the agreement; (iv) does not provide the necessary guarantees within the time limits indicated; (v) does not fulfil its communication and transmission obligations with respect to the centralized ADM system for the information related to the amounts collected in accordance with the agreement; and (vi) does not comply with the specific provisions related to the player account. ADM may also discontinue the sale of one or more public gaming items at any time at its sole discretion and without having to compensate Sisal Entertainment.

Further Provisions on Gaming Concessions

Article 2.2 of Law Decree No. 40 of March 25, 2010, (the "**Incentives Decree**"), converted into Law No. 73 of 22 May, 2010, prohibits any business relationship between the holders of concessions which generate income for the Italian treasury and third parties, unless such business relationships are expressly allowed by the tender documentation for the award of the relevant concessions. Any consideration received by the concessionaires from third parties in violation of the aforementioned prohibition is to be paid to the authority that granted the concession. According to an opinion issued by the Council of State this prohibition also applies to gaming concessions.

Fiscal Decree No. 2 of March 2012, converted into Law No. 44 of April 26, 2012, subsequently clarified that Article 2.2 should be interpreted to only apply to concessions awarded on the basis of tender procedures launched after the Incentive Decree came into force. As far as the Group is concerned, we received confirmation by final judgment of the Regional Administrative Court of Lazio that the Incentive Decree does not apply to the business relationships between Sisal and third parties under our NTNG concession.

The Incentives Decree entitles ADM to integrate the existing gaming concessions in order to introduce administrative fines for breaches of the prohibition established under the Incentive Decree. Such fines have to comply with the principles of reasonableness and proportionality.

Furthermore, Article 2.2-*bis*, confirms that the activities of remote gaming collection can only be carried out by concessionaires and in compliance with the provisions of the relevant concessions granted by the ADM.

Anti-mafia Regulation

The Group must observe the provisions regulated by the Legislative Decree no. 159/2011 (the "**Anti-mafia Code**"). In particular, the article 85, paragraph 2 *quarter*, of said decree points out, as persons subject to the anti-mafia control, the corporation (*società di capitali*) concessionaire of public games. The anti-mafia disclosure is a necessary condition and an essential requirement for the issuance and the maintenance of the concession. Said disclosure entail the necessity to verify that the persons pointed out by the law (i.e. general directors, legal representative, branch manager and their cohabitant family members), are not in one or more of the situations on the basis of which the Anti-mafia Code provides the application of precautionary measures and that the corporation does not have the risk of mafia infiltration.

The so-called Balduzzi Decree

The Law no. 189/2012 (the "**Balduzzi Decree**") introduced new provisions aimed at reducing the risk of gaming addiction and ensuring more transparency in the gaming sector. The Balduzzi Decree prescribes that premises where the games and bets are carried out must be located at a certain distance from sensitive buildings and places (e.g. schools), introduces sanctions for every kind of advertisement that incite gaming and/or betting, and requires the gaming operator to publish for each game the statistics and data concerning the probability of winning.

Further provisions aimed at ensuring transparency and players' safety in the Gaming market have been introduced by the Italian 2016 Stability Law which, *inter alia*, prohibits unfair or deceptive advertising (e.g. advertising denying that betting and gaming activities may entail risks) and prevents Gaming operators from advertising their products on the radio and/or TV within certain protected time slots.

Payments and Services Regulation

The following is a brief description of the main regulations that govern the payment services and financial services segments of the payments and services market in which the Group operates. The Payments and Services operating segment does not include services such as top-ups for mobile phones and telephone cards.

The Italian regulatory framework on payment services is derived from Legislative Decree 27 January 2010, No. 11 ("**Payment Services Decree**") implementing in Italy Directive 2007/64/EC ("**Payment Services Directive**") and from Legislative Decree of 1 September 1993, No. 385, as amended ("**Italian Banking Act**"), which are followed by implementing provisions of the Bank of Italy, namely: Bank of Italy supervisory provisions of May 17, 2016, containing the regulatory provisions for payment institutions and electronic money institutions, which repeals the measure of June 20, 2012 ("Provvedimento della Banca d'Italia del 17 maggio 2016, contenente le disposizioni di vigilanza per gli istituti di pagamento e gli istituti di moneta elettronica") and Bank of Italy supervisory provisions of July 5, 2011 on the implementation of Title II of the Legislative Decree 27 January 2010, No. 11 ("Attuazione del Titolo II del Decreto legislativo n. 11 del 27 gennaio 2010 relativo ai servizi di pagamento—Diritti ed obblighi delle parti").

The above mentioned Italian regulatory framework may change either with the implementation, by January 13, 2018, of the revised Payment Services Directive, Directive (EU) 2015/2366 (PSD II), which will repeal the mentioned Directive, or with the issuing of Decree of Economy and Finance Ministry implementing the Regulation EU no. 751 of 2015.

In Italy, payment services may only be provided by licensed banks, electronic money institutions, payment institutions and other administrative bodies, such as the European Central Bank and other EU central banks and EU sovereigns.

Italian payment institutions ("**Payment Institutions**") are licensed and supervised by the Bank of Italy. The Bank of Italy maintains a register of licensed Payment Institutions that is available to the public.

Payment Institutions are subject to regulatory requirements similar to those applicable to banks with respect to the authorization and/or disclosure of the acquisition of certain equity interests, as well as the integrity, professional and other requirements that apply to shareholders and directors. Payment Institutions must also maintain at all times a minimum regulatory capital, to which specific provisions apply. They should have appropriate internal systems of control and supervision on their activities, including second and third level controls (*Internal Audit*), as well as specific anti-money laundering controls.

In addition, Payment Institutions are required to keep separate payment accounts for each client (i.e., the beneficiary of the payment). Clients' accounts must be segregated from the accounts of the Payment Institutions and from those of other clients. The provision of payment services is subject to conduct of business rules aimed at protecting payment services customers. Violation of licensing or other regulatory requirements applicable to payment institutions may lead to, among other things, criminal sanctions and/or administrative monetary fines. If the violations are particularly serious, payment institutions may be subject to compulsory administration procedures by the Bank of Italy and, ultimately, to compulsory wounding up.

Payment Institutions that carry out a business other than, and in addition to, payment services, as in the case of the Issuer, must comply with specific provisions (such Payment Institutions, "**Hybrid Payment Institutions**"): Hybrid Payment Institutions must, among other things, segregate at all times assets relating to payment services (the "**Segregated Assets**") and assets relating to other businesses. The regulatory framework applicable to Payment Institutions applies to the payment services business and Segregated Assets of Hybrid Payment Institutions. In addition, with respect to the Segregated Assets, Hybrid Payment Institutions must appoint a person responsible for the Segregated Assets; maintain a separate administrative function and accounts; and establish and calculate initial minimum capital requirements as well as regulatory capital requirements.

As well, Payment Institutions are generally subject to banking transparency provisions pursuant Title VI of Italian Banking Act, Consumer Code (Legislative Decree no. 206/2005) and Privacy Code (Legislative Decree no. 196/2003).

Authorization

Authorisation to provide payment services is granted by the Bank of Italy subject to certain conditions. Pursuant to the Bank of Italy supervisory provisions on payment institutions and electronic money institutions of May 17, 2016 ("**Supervisory Provisions**"), a license will be granted if the payment institution provides for, among other things, sound management and correct functioning of the payment system. For this purpose, the Supervisory Provisions require, among other things, the payment institution (i) to be established as a joint stock company (*società per azioni*) or limited liability company (*società a responsabilità limitata*) or other approved corporate form; (ii) to have its headquarters in Italy; (iii) to hold a minimum share capital ranging from €20,000 to €125,000, depending on the payment services carried out; (iv) that shareholders and corporate directors satisfy integrity, professional and other applicable requirements; and (v) that in light

of the structure of the group of the payment institution or the relationships existing between such payment institution, its group, and other entities, there is no impediment to exercising the required level of supervision. Subject to the above conditions, the Bank of Italy grants authorization if it finds that the payment institution has a suitable program of activities and an administrative and accounting organization that is proportionate to the structure and the activities of the payment institution.

Prudential Requirements

Payment Institutions must maintain a regulatory capital equal to the sum of the base capital and the supplementary capital, the minimum amount of which is determined in accordance with the Supervisory Provisions. Valuation of the regulatory capital must be made pursuant to the Supervisory Provisions and the supervisory provisions for Banks (set forth in the circular 263/2006 of the Bank of Italy), which implements the Capital Requirements Directives. In particular, except for the first financial year (for which an alternative method of calculation of the applicable amount of regulatory capital is available), a Payment Institution must hold a regulatory capital calculated with reference to a proportion of the aggregate amount of all payment transactions carried out by the Payment Institution in the immediately previous financial year. As of December 31, 2012 the regulatory capital of the Company amounted to €2.3 million.

Supervision

The Bank of Italy holds extensive supervisory powers on the provision of payment services. These powers include adopting measures imposed by applicable law, carrying out investigations, conducting enforcement proceedings and applying sanctions. The Bank of Italy also has the power to enact regulations applicable to the provision of the services, also by implementing national and European legislation. With respect to any Payment Institution that carries out a separate business, if security of the payment services is not guaranteed, the Bank of Italy may order the establishment of a separate company to carry out payment services.

Within the Bank of Italy a special unit, called "Unità di Informazione Finanziaria" ("**UIF**"), has specific competences, supervisory and enforcement powers in relation to Anti-money Laundering Regulations. The UIF is an independent and autonomous body set up within the Bank of Italy pursuant to Legislative Decree 231/2007. It became operational on 1 January 2008, taking over from the Italian Foreign Exchange Office (UIC) as the central body charged with combating money laundering. It is structured in compliance with the international standards applying to all financial intelligence units ("**FIUs**"): they should be operationally autonomous and independently run; they should be the only unit of the kind in the country; they should possess expertise in financial analysis; and they should be able to exchange information directly and independently. The administrative model was adopted for the unit in order to keep the task of financial analysis separate from that of investigative analysis, emphasizing the independent role of prevention and UFI's function as a 'buffer' designed to preserve a sound economic and financial system. The legal status of the UFI, which is not a separate entity, stems from its institutional function as a center for collecting, coordinating and channeling data and information of significant public interest.

Acquisition of Equity Interests

Prior authorization must be obtained from the Bank of Italy in the case of a direct or indirect acquisition of the equity interests in the capital of a payment institution, which acquisition allows a person, acting individually or in concert:

- to acquire a stake equal to or greater than a certain percentage (in general, more than 10%) of the share capital or of the voting rights of the payment institution concerned; or
- to exercise a significant influence over the management of the payment institution concerned; or
- to acquire the control of the entity concerned.

Parties that control—including through subsidiaries, trust companies or via third parties—banks or parent financial companies of banking groups are not required to request authorization where the subsidiary bank or the parent financial company intends to acquire or increase its investment in a Payment Institution. In that case, the request for authorization is only made by the bank or the parent company that intends to acquire or increase its investment.

The application for authorization must summarize the objectives of the acquisition, and must also contain the following information:

a) general information on the applicants;

b) indication of the institution that is to be acquired or the investment in it increased, and the related capital share, specifying the number and category of any shares already held and those that it intends to acquire;

c) information on any changes to the program of activities;

d) the information and documentation indicated in the Supervisory Provisions. The Bank of Italy will make a decision within sixty business days.

Parties who wish to execute transactions that involve an irrevocable commitment to acquire a qualified investment in a Payment Institution (for example a bid, promotion of a public purchase offer ("OPA'') or public exchange offer ("OPS"), or if the threshold that entails the obligation for an OPA is exceeded) may not make said commitment unless they have previously obtained authorization from the Bank of Italy.

The Bank of Italy shall make an assessment, in order to guarantee the sound and prudent management of the institution to whom the acquisition project refers and the smooth operation of the payment systems, taking into account the probable influence of the potential purchaser on the institution itself, of the quality of the potential purchaser and the financial strength of the acquisition.

The assessment shall be carried out on the basis of the following criteria: a) the reputation of the potential purchaser; b) the reputation and experience of those who would carry out management and control in the Payment Institution in the event of acquisition; c) the financial strength of the potential purchaser, especially considering the type of activity carried out and provided for by the Payment Institution to whom the acquisition project refers; d) any impact the acquisition would have on the program of activities; e) the ability of the Payment Institution to comply with supervisory provisions. More specifically, the group to which it would become part must be structured so as to allow efficient supervision to be carried out, to efficiently exchange information between the supervisory authorities and to establish the allocation of responsibility between them; f) the existence of reasonable grounds for suspicion that there is ongoing or that there was an attempt to recycle income from unlawful activities or terrorist financing in relation to the potential acquisition or that the risk of this could be increased by the potential acquisition.

If the investor is an individual, the Bank of Italy shall check directly whether the individual fulfils the honorability requirements. If the investor who has to prove possession of the honorability requirements is a company or an entity, the requirements must be held by all members of the management body and the general manager or the parties that hold equivalent positions. In the event of an indirect investment, the honorability requirements must be proven by the entity at the top of the investment chain and by the party who is investing directly in the capital of the institution. In those cases, the management body of the company or the investor shall check the requirements; the institution shall send the Bank of Italy the minutes on its decision. The Bank of Italy reserves the right—where necessary—to request exhibition of the documentation proving the possession of the honorability requirements.

Parties who hold administrative and management positions in institutions subject to supervision by the Bank of Italy or subject to similar requirements on the basis of regulations in its home member state do not have to prove that they hold the honorability requirements.

The verification of the existence of the honorability requirements regarding foreign nationals (individuals and company representatives of the investing entities) is made on the basis of an assessment of substantial equivalence. If the investors in the capital of the institution do not comply with the honorability requirements, the voting rights related to shares that exceed the 10% or give considerable influence may not be exercised.

If there is a controlling interest, the prohibition extends to the entire investment. In order to assess the ability of the potential purchaser to ensure the sound and prudent management of the institution and operation of the payment system, the applicants must provide the information indicated in Attachment B of the Supervisory Provisions.

The Bank of Italy may request the investors to provide specific declarations of commitment in order to protect the sound and prudent management of the institution.

At any time, the Bank of Italy may suspend or revoke the authorization to acquire qualified investments in the capital of an institution if the assumptions and conditions provided under the Supervisory Provisions should no longer hold true, with consequent suspension or revocation of the voting rights related to the investment in question. The Bank of Italy may order the suspension if it finds that one or more of the requirements or conditions necessary for the acquisition of a qualified investment are no longer fulfilled, and where it cannot be guaranteed that the interested party will be able to fulfil said requirement in the short term. The reasons justifying revocation may include repeated attempts to circumvent these regulations, the breach of any commitments made by the investor towards the Bank of Italy in order to issue the authorization or transmission of false information or data to the Bank of Italy. The investors and investing institution shall be notified of orders of suspension or revocation.

Specific rules as to how the relevant thresholds are calculated are set forth under the Supervisory Provisions. In addition, a notification must be made to the Bank of Italy upon a purchase or withdrawal of a relevant shareholding. Reduction of a relevant shareholding below the applicable threshold must also be notified.

Management Body and Statutory Auditors

The Management Body and the Statutory Auditors of payment institutions must possess honorability requirements similar to those applicable to relevant shareholders. In addition, such members must possess specific professional competences, and fulfill honesty and professional competences.

Anti-money Laundering Regulations

We are subject to anti-money laundering rules and regulations, including Legislative Decree No. 231 of 21 November 2007, as amended, implementing in Italy the anti-money laundering EU Directive (2005/60/EC).

In particular, we are required, among other things, to:

(a) adequately identify and verify our customers (using rigorous procedures of identification and verification in certain situations that are deemed higher-risk for money laundering and terrorism financing);

(b) establish a Consolidated Computer Archive (*Archivio Unico Informatico*, "**AUI**");

(c) record and preserve the identifying data and other information related to relationships and transactions in the AUI;

(d) send the compiled data to the Financial Information Unit (*Unità di Informazione Finanziaria*);

(e) report suspicious transactions; and

(f) establish internal control measures and ensure adequate training of employees.

MANAGEMENT

The Issuer

The Issuer is a joint stock company (*società per azioni*), incorporated and existing under the laws of Italy, and is indirectly owned by CVC Funds.

The board of directors of the Issuer (the "**Board**") comprises three directors appointed by CVC Funds. The Board will be responsible for managing the Issuer in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the Board will be to carry out the business of the Issuer and to legally represent the Issuer in its dealings with third parties. The persons set forth below will constitute the Board.

Name	Age	Title
Federico Quitadamo	31	Director
Andrea Ferrante	34	Director
Philip John Robertson	33	Director

The following is biographical information for each of the members of the Board:

Federico Quitadamo. Mr. Quitadamo holds a degree in business economics from the LUISS Guido Carli University in Rome. From 2007 to 2010, Mr. Quitadamo worked at the Investment Banking divisions of Bank of America Merrill Lynch in Milan and London, focusing on M&A and corporate finance. In 2010, Mr. Quitadamo joined the private equity team at CVC in Milan. From 2013 to 2016, Mr. Quitadamo held the position of non-executive director of Cerved Information Solutions S.p.A.

Andrea Ferrante. Mr. Ferrante holds an honors degree in economics from the LUISS Guido Carli University in Rome. From 2004 to 2007, he worked at Lehman Brothers in London. From 2007 to 2013, he worked at Cinven, Milan, Hong Kong and London, and from 2009 to 2013, Mr. Ferrante also held the position of non-executive director of Avio S.p.A. In 2013, Mr. Ferrante joined the private equity team at CVC in Milan. From 2013 to 2016, Mr. Ferrante held the position of non-executive director of Cerved Information Solutions S.p.A.

Phil Robertson. Mr. Robertson holds a degree in mathematics with economics from University College London. From 2003 to 2012, Mr. Robertson worked in the Investment and Merchant Banking divisions of Goldman Sachs in London and Sydney, focusing on M&A, private equity and leveraged finance. In 2012, Mr. Robertson joined the capital markets team at CVC in London.

Sisal Group S.p.A.

The following is a summary of certain information concerning the management of Sisal Group, certain provisions of the by-laws (*statuto*) of Sisal Group S.p.A. and of Italian law regarding corporate governance. This summary is qualified in its entirety by reference to such by-laws and Italian law. See "*Listing and General Information*" for information on how to obtain a copy of Sisal Group S.p.A.'s by-laws.

Sisal Group S.p.A. is managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or one or more managing directors. The board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires Sisal Group S.p.A. to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body (see below).

Board of Directors

Upon completion of the Acquisition, a new board of directors will be installed at the level of Sisal Group S.p.A. (the "**Sisal Group Board**"). The Sisal Group Board will be responsible for administering the affairs of the Group and for ensuring that the operations of the Group are organized in a satisfactory manner. The Sisal Group Board will include members appointed by CVC, although the Sisal Group Board's composition after the Acquisition has not yet been determined as of the date of this offering memorandum.

Senior Management

The following table sets forth the names, ages and titles of the members of the senior managers of the Sisal Group.

Name	Age	Title
Emilio Petrone	53	Chief Executive Officer
Corrado Orsi	53	Chief Financial Officer
Giovanni Emilio Maggi	61	Institutional Relations Director
Andrea Castellani	50	Head of Internal Audit and Risk Management
Simonetta Consiglio	52	Marketing and Communications Director
Maurizio Santacroce	45	Online Gaming and Payments & Services Director

Name	Age	Title
Francesco Durante	45	Retail Gaming Director
Roberto di Fonzo	54	Strategy Director
Marco Caccavale	44	Lottery Director

Emilio Petrone. Emilio Petrone was appointed Chief Executive Officer in 2008. Mr. Petrone holds a degree in economics from the Università degli Studi di Salerno and a Master in Business Administration ("**MBA**"). Prior to joiningthe Sisal Group, Mr. Petrone was Senior Vice President of Mattel Corporation responsible for Central & Eastern Europe, Middle East and Africa and served as Chairman and Chief Executive Officer of Mattel Italy, Mattel Greece and Mattel Manufacturing Europe. Before his experience in Mattel, he worked for Ferrero Unilever, Sara Lee Corporation and Telecom Italia Group.

Corrado Orsi. Mr. Orsi holds a degree in economics and business from Bocconi University. Mr. Orsi joined the Sisal Group in early 2009 as Chief Financial Officer. Previously Mr. Orsi held managerial positions in Nestlè Group as Director of the Controlling Department, in San Pellegrino as Chief Financial Officer and in Brembo as Chief Financial Officer and Head of Investor Relations.

Giovanni Emilio Maggi. Mr. Maggi holds a degree in economics from Bocconi University. Mr. Maggi joined Sisal in 1991 and,, since 2004, has been Director of Institutional Relations, after various experiences as Marketing Director and subsequently as Director of Business Development and International Development. Previously Mr. Maggi worked with increasing responsibilities in the Marketing Division of companies in the consumer goods business such as Airwick-Ciba Geigy S.p.A., Alivar S.p.A. (Motta-Alemagna) and Fedital S.p.A. (Polenghi Lombardo).

Andrea Castellani. Mr. Castellani holds a degree in economics from Bocconi University. He joined Sisal in 2007 as Head of Management Control and currently is Head of Internal Audit e Risk Management. Mr. Castellani is member of the Organismo di Vigilanza pursuant to Legislative Decree n. 231 of 2001 of the subsidiaries of the Group. Before joining Sisal, Mr. Castellani was Finance & Administration Director of the BU EMEA Systemedia of NCR Corporation directly responsible for administration processes, planning and control for the countries of Europe, Middle East & Africa.

Simonetta Consiglio. Mrs. Consiglio holds a degree in political sciences from LUISS University of Rome and a Master in Business Administration. Mrs. Consiglio joined the Sisal Group in 2011. As Director of Marketing & Communication, Mrs. Consiglio is responsible for planning and implementing marketing strategies alongside the business units of the group. Mrs. Consiglio developed her career in Telecom Italia Group as Country Manager in Germany and UK, Vice President Strategy and Business Innovation and subsequently Executive Vice President Marketing Voice and Mobile Services in Telecom Italia Sparkle.

Maurizio Santacroce. Mr. Santacroce holds a degree in economics and business from the Università degli Studi di Bari and an MBA from LUISS University of Rome. Mr. Santacroce joined the Sisal Group in 2008 as Director of the Strategy Business Unit. Since 2009 Mr. Santacroce has been Director of Digital Games & Services Business Unit (thereafter split into two business units—Business Unit Online Gaming and Business Unit Payments & Services—for which he is Director of both). Prior to joining Sisal, Mr. Santacroce worked in Vodafone Omnitel Italy as Strategy and Business Planning Officer, in Bain & Company and from 2005 to 2008 in Lottomatica-Gtech, initially as Director of the Lottery Business Unit and later as Director of the Services Division.

Francesco Durante. Mr. Durante holds a degree in economics and business from LUISS University of Rome. He joined the Sisal Group in 2009 as Director of the Entertainment Business Unit. Mr. Durante is also Chief Executive Officer of one subsidiary of Sisal Group, Sisal Entertainment. Prior to joining Sisal, Mr. Durante worked in multinational companies including Lucent Technologies and Sara Lee.

Roberto Di Fonzo. Mr. Di Fonzo holds a degree in economics and business from Università La Sapienza di Roma and an MBA from ISDA. Since 2011, Mr. Di Fonzo has been Director of the Strategy Division for Sisal Group. Mr. Di Fonzo previously worked in multinational companies including Sara Lee and Unilever in senior management in Italy and abroad. From 2003 to 2010, Mr. Di Fonzo was Managing Director Italy of the Apparel division of Sara Lee, and previously was CFO of the European division of the same Group, responsible for Europe, Far East & Africa.

Marco Caccavale. Mr. Caccavale holds a degree in economics and business from Università di Napoli Federico II. Mr. Caccavale joined the Sisal Group in August 2008 as Trade Marketing Director, Business Director from April 2009 and subsequently Director of the Lottery Business Unit. From 2004 to 2008, Mr. Caccavale worked in Mattel as Director of Sales & Trade Marketing and previously in Exportex in the area of business.

Compensation

The aggregate cash compensation to Sisal Group S.p.A.'s senior management of Sisal Group S.p.A. amounted to €4.6 million in 2015. Additionally, the Sisal Group S.p.A.'s senior management participates in an incentive compensation plan.

Board of Statutory Auditors

Pursuant to applicable Italian law, Sisal Group S.p.A. has appointed a board of statutory auditors (*Collegio Sindacale*) whose objective is to oversee Sisal Group S.p.A.'s compliance with applicable law and with its by-laws, monitor the implementation of best practices, and assess the adequacy of the internal controls and accounting reporting systems at Sisal Group S.p.A., as well as the adequacy of the supply of information to its subsidiaries.

There are presently three auditors and two alternate auditors on the board of statutory auditors for Sisal Group S.p.A. Members of the board of statutory auditors are appointed by the shareholders of Sisal Group S.p.A. at ordinary shareholders' meetings for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their term. All members of the board of statutory auditors were appointed at the shareholders' meeting held on May 5, 2015. At least one of the auditors and one of the alternate auditors must be selected among legal auditors registered with the relevant special registry. Members of the board of statutory auditors may be removed only for a valid reason and with the approval of an Italian court.

The following table sets forth the names, ages and titles of the members of the board of statutory auditors of the Sisal Group S.p.A. They will remain in office until approval by the shareholders of the financial statements for the year ended December 31, 2018.

Name	Age	Title
Francesco Facchini	50	Chairman
Giancarlo Lapecorella	46	Auditor
Stefano Massarotto	44	Auditor
Antonio Privitera	37	Alternate Auditor
Massimiliano Altomare	35	Alternate Auditor

The following table sets forth the names, ages and titles of the members of the board of statutory auditors of Sisal Group S.p.A. They will remain in office until approval by the shareholders of the financial statements for the year ended December 31, 2017.

Name	Age	Title
Piero Alonzo	50	Chairman
Massimo Bellavigna	52	Auditor
Francesco Tabone	60	Auditor
Carlo Bosello	56	Alternate Auditor
Andrea Franzini	50	Alternate Auditor

PRINCIPAL SHAREHOLDERS

Upon consummation of the Acquisition, the CVC Funds will indirectly control (through wholly owned intermediate holding companies) the entire share capital of the Issuer. The CVC Funds will allocate a portion of the share capital of the Issuer or one of its direct or indirect parent companies for equity investments by certain members of the senior management team. The CVC Funds intend to enter into investment agreements with certain members of our senior management team that will make such investments, directly or indirectly, in the equity of the Issuer. The CVC Funds expect, that equity investments, held directly or indirectly, in the Issuer by certain members of the senior management team may include voting rights.

RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we regularly enter into agreements with companies within the Group. These agreements mainly relate to the supply of IT and accounting services and the rendering of other intragroup services, such as business advisory, treasury and finance, marketing, human resources, legal and tax. In addition, it is contemplated that new related party transactions will be entered into in connection with the Transactions.

We believe that all transactions with subsidiaries are negotiated and executed on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. We recommend you refer to the actual agreements for further details, copies of which are available upon request.

New Revolving Credit Facility

Overview and structure

Prior to the Issue Date, the Issuer, BNP Paribas, Italian Branch, Credit Suisse AG, Milan Branch, Deutsche Bank AG, London Branch, Morgan Stanley Bank International Limited, UBS Limited and UniCredit S.p.A., as mandated lead arrangers (together the "**Mandated Lead Arrangers**"), the financial institutions named therein as original lenders and UniCredit Bank AG, Milan Branch as agent and Security Agent, entered into the New Revolving Credit Facility Agreement.

The New Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €125.0 million on a committed basis. The New Revolving Credit Facility may be utilized by any current or future borrower (subject to certain exceptions) under the New Revolving Credit Facility in euro or certain other currencies by the drawing of cash advances or, subject to the appointment of an Issuing Bank, the issue of bank guarantees and documentary credits (including letters of credit and performance bonds) and by way of Ancillary Facilities. Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings will be available to be used for general corporate and working capital purposes of the Issuer and its subsidiaries and, without prejudice to the generality of the foregoing, to fund acquisitions (excluding the Acquisition), working capital-related purchase price adjustments and certain fees in connection with the Acquisition but excluding the repayment of principal via a redemption or defeasance of the Notes or any Refinancing Indebtedness (as defined in the New Revolving Credit Facility) of the Notes or the payment of dividends.

Additional Facilities

The New Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities in a maximum amount not to exceed (after taking account of the commitments under the New Revolving Credit Facility) the amount able to be incurred under clause (1) of the second paragraph of the covenant described under "*The Description of the Notes—Certain Covenants—Limitation on Indebtedness*", whether as a new facility and/or as an additional tranche of any existing facility and/or by increasing the commitments under an existing facility. Such additional facilities may be secured or unsecured and may rank either (i) *pari passu* with the New Revolving Credit Facility and be prepaid on a pro rata basis (including with respect to mandatory prepayments) or (ii) subordinated to the New Revolving Credit Facility. The lenders of any such additional facilities may not have the benefit of guarantees from any member of the Group which is not an Obligor or security over assets other than the then existing Transaction Security (as defined in the New Revolving Credit Facility), except where the same security (to the extent permitted by law) is granted in respect of the other facilities under the New Revolving Credit Facility.

The availability, maturity, pricing and other terms of any additional facility will be those agreed between the Issuer and the relevant lenders of that additional facility, provided that no additional facility may have a maturity date that is earlier than the maturity date of the New Revolving Credit Facility.

Availability

The New Revolving Credit Facility may, subject to satisfaction of customary conditions precedent, be utilised from the Completion Date until the date falling one month prior to the maturity date of the New Revolving Credit Facility.

Borrowers and Guarantors

The Issuer is the original borrower and original guarantor under the New Revolving Credit Facility. A mechanism is included in the New Revolving Credit Facility Agreement to enable Sisal Group S.p.A. and/or certain of its subsidiaries to accede as a borrower and/or a guarantor under the New Revolving Credit Facility subject to certain conditions. The New Revolving Credit Facility also requires that in the future each Material Company (as defined in the New Revolving Credit Facility Agreement) becomes a guarantor (subject to agreed security principles). Following the implementation of the Post-Completion Merger, MergerCo will be a borrower and guarantor under the New Revolving Credit Facility.

Maturity and Repayment Requirements

The New Revolving Credit Facility matures on the date falling five years and nine months from the Completion Date. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the New Revolving Credit Facility must be repaid in full on or prior to the maturity date for the New Revolving Credit Facility.

Amounts repaid by the borrowers on loans made under the New Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

Interest Rate and Fees

The interest rate on cash advances under the New Revolving Credit Facility will be the rate per annum equal to the aggregate of the applicable margin and LIBOR, or in relation to cash advances in euro, EURIBOR (as each term is defined in the New Revolving Credit Facility Agreement). The initial margin under the New Revolving Credit Facility will be 3.50%. Beginning from the date which falls twelve months from the Completion Date, the margin on the loans will be reduced if certain Consolidated Net Leverage Ratios (which are to be calculated in the same way as under the Notes) are met.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the New Revolving Credit Facility from (and including) the Completion Date to (and including) the last day of the availability period for the New Revolving Credit Facility at a rate of 30% of the then applicable margin for the New Revolving Credit Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the New Revolving Credit Facility and on the date the New Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment. No commitment fee shall be payable unless the Completion Date occurs.

Default interest will be calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay customary agency fees to the agent and the security agent in connection with the New Revolving Credit Facility.

Guarantees

The Issuer will provide a senior guarantee of all amounts payable to the Finance Parties (as defined in the New Revolving Credit Facility) by any of its Subsidiaries which accedes to the New Revolving Credit Facility Agreement as an additional borrower or an additional guarantor and the hedging banks under certain secured hedging agreements.

The New Revolving Credit Facility Agreement requires that (subject to agreed security principles) each subsidiary of the Issuer that is, or becomes, a Material Company (which definition includes, among other things, any member of the Group that has earnings before interest, tax, depreciation and amortization representing more than 5% of Consolidated EBITDA or any wholly-owned member of the Group that is the direct holding company of a borrower or guarantor)) following the Completion Date will be required to become a guarantor under the New Revolving Credit Facility Agreement.

Furthermore, if on the last day of each financial year of the Issuer, the guarantors represent less than 80% of the Consolidated EBITDA (subject to certain exceptions) (the "**Guarantor Coverage Test**"), within 90 days of delivery of the annual financial statements for the relevant financial year, such other subsidiaries of the Issuer (subject to agreed security principles and certain other exceptions) are required to become guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on the last day of the relevant financial year).

Security

It is expected that from and after the Completion Date, the New Revolving Credit Facility (subject to certain agreed security principles set out in the New Revolving Credit Facility Agreement) will be secured by security over certain assets of the holding company of the Issuer, the Issuer and certain members of the Target Group as further described in the section entitled "*Description of the Notes—Security*". Each holding company of any Material Company (provided such holding company is a wholly-owned member of the Group) which becomes a guarantor under the New Revolving Credit Facility is required (subject to agreed security principles) to grant security over the shares in such Material Company in favour of the Security Agent.

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding under the New Revolving Credit Facility in priority to the Notes.

Representations and Warranties

The New Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) validity and admissibility in evidence; (vi) governing law and enforcement; (vii) accuracy of most recent financial statements delivered; (viii) *pari passu* ranking; (ix) good title to assets; (x) legal and beneficial ownership; and (xi) sanctions and anti-money laundering.

Covenants

The New Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes. In addition, the New Revolving Credit Facility also contains certain affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements and compliance certificates; (ii) authorizations, (iii) compliance with laws; (iv) payment of taxes; (v) maintenance of material assets; (vi) maintenance of pari passu and priority and payment ranking of the New Revolving Credit Facility; (vii) maintenance of intellectual property and insurance; (viii) funding of pension schemes; (ix) maintenance of Guarantor Coverage Test; (x) granting of additional guarantees and security in prescribed circumstances and (xi) further assurance provisions. In addition, the Issuer must procure that certain actions are taken following the Completion Date, which include: (a) using reasonable best efforts (subject to any relevant approval and/or authorisation by any competent authority) to implement the Post-Completion Merger; (b) procuring the granting (subject to agreed security principles) of security over the shares in Sisal S.p.A. and Sisal Entertainment S.p.A. and the relevant New Proceeds Loans within 90 days after the Completion Date; (c) the prepayment or redemption in full of the existing net indebtedness of the Sisal Group on the Completion Date in relation to Sisal Group's existing bonds and senior credit facilities as represented by the Total Outstanding Debt (as defined in the Acquisition Agreement), together with the release and discharge of all Existing Encumbrances (as defined in the Acquisition Agreement) or evidence that customary arrangements with respect to such releases or discharges have been entered into on or prior to the Completion Date); and (d) the granting (subject to agreed security principles) within one business day of the Completion Date of security over the shares of Sisal Group S.p.A. acquired pursuant to the Acquisition Agreement and the Sisal Group Proceeds Loan.

Negative Covenants

The negative covenants include restrictions, among others, with respect to: (i) changing the centre of main interest of a borrower or guarantor, (ii) prior to the implementation of the Post-Completion Merger, the Issuer not carrying on any business, owning any assets or incur material liabilities (other than those activities, asset and liabilities customary for a holding company or otherwise permitted under the New Revolving Credit Facility Agreement) and (iii) subject to certain exceptions: (a) segregating assets as provided in article 2447-bis of the Italian Civil Code, (b) entering into transactions which could qualify as a *finanziamento destinato* pursuant to article 2447-decies of the Italian Civil Code, or (c) issuing any class of stock or other financial instruments under Article 2447-ter of the Italian Civil Code. Otherwise, the negative covenants in the New Revolving Credit Facility are substantially the same as the negative covenants in the Senior Secured Notes Indenture.

Mandatory Prepayment Requirements upon a Change of Control

The Issuer is required to notify the agent under the New Revolving Credit Facility Agreement of a Change of Control (as defined in the New Revolving Credit Facility Agreement), following which each lender under the New Revolving Credit Facility Agreement is entitled to notify the Issuer requiring repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments. Notwithstanding the foregoing, any Ancillary Lender or, as the case may be, Issuing Bank may, as between itself and the relevant member of the Group, agree to continue to provide such Ancillary Facility or, as the case may be, Letter(s) of Credit (with such arrangements continuing on a bilateral basis and not as part of, or under, the Finance Documents and the Transaction Security shall not, following release by the Security Agent, secure any such Letter(s) of Credit or Ancillary Facility in respect of any claims that arise after such cancellation).

Financial Covenant

There are no maintenance financial covenants under the New Revolving Credit Facility.

Events of Default

The New Revolving Credit Facility Agreement provides for some of the same events of default, with certain adjustments, as under the Notes. In addition, the New Revolving Credit Facility provides for certain customary events of default, all of which are subject to customary materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including: (i) failure to pay (a) any principal when due subject to a three business day grace period, and (b) any other amount when due subject to a 30 day grace period; (ii) failure to comply with (a) the requirement to grant certain security within one business day of the Completion Date, and (b) any other provision of the New Revolving Credit Facility Agreement and/or any other Finance Document subject to a 60-day grace period; (iii) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 60-day grace period; (iv) cross-acceleration to the Senior Secured Bridge Facilities (as defined in the New Revolving Credit Facility Agreement), the Notes or Refinancing Indebtedness (as defined in the New Revolving Credit Facility Agreement) of the Notes, in each

case, in excess of €15.0 million; (v) cross-acceleration and cross-payment default, in each case, consistent with the equivalent event of default under the Notes; (vi) unlawfulness and invalidity subject to a 30 business day grace period; (vii) failure to comply with a material term of, or breach of representation or warranty by certain parties under, the Intercreditor Agreement subject to a 30 business day grace period; (viii) cessation of business; (ix) expropriation; (x) repudiation and rescission subject to a 30 business day grace period and (xi) certain insolvency events of default consistent with the insolvency events of default, with certain adjustments, as under the Notes.

Initial Public Offering

The New Revolving Credit Facility Agreement contains provisions to facilitate an initial public offering of the Group by way of an initial public offering of the Issuer or a holding company of the Issuer, which may involve the release of Transaction Security in favor of the Security Agent created over all of the shares (or equivalent) in the Issuer (which security shall be required to be retaken in a form substantially equivalent to the Transaction Security released in the event such initial public offering does not occur within certain specified time frames) and/or the interposition of a newly incorporated company above the Issuer (and the granting, including by way of confirmation, of corresponding security by such newly incorporated company over the shares in the Issuer).

New Intercreditor Agreement

Intercreditor Agreement

To establish the relative rights of the Senior Secured Creditors (as defined below), the Future Senior Subordinated Creditors (as defined below), the Issuer and any future Guarantors in respect of the Senior Secured Notes and any obligor in respect of the New Revolving Credit Facility, Future Pari Passu Debt (as defined below) and Future Senior Subordinated Debt (as defined below) (collectively, the "**Obligors**"), the Intragroup Lenders (as defined below) and the Shareholder Subordinated Lenders (as defined below) will enter into an intercreditor agreement dated on or about the Issue Date. By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to enter into the Intercreditor Agreement on its behalf. The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the New Revolving Credit Facility, the Senior Secured Notes Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt of the Issuer and certain of its subsidiaries in respect of New Revolving Credit Facility liabilities, the Senior Secured Note liabilities, Future Pari Passu Debt (as defined below), the Super Senior Hedging Liabilities (as defined below), the Pari Passu Hedging Liabilities (as defined below), Future Senior Subordinated Debt (as defined below), the Intra-Group Liabilities (as defined below) and the Subordinated Debt Liabilities (as defined below);
- the relative ranking of certain security granted by certain members of the Group (as defined below);
- when payments can be made in respect of certain indebtedness of the Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken in respect of the Transaction Security (as defined below);
- provisions relating to the making of any acceleration or demand for payment in respect of the Notes;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- the requirement to turnover amounts received from enforcement of the Transaction Security and certain guarantees;
- when the Transaction Security and any guarantee(s) issued by certain Obligors will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security, certain guarantees and other amounts received by the Security Agent.

Parties

The senior secured creditors (together the "**Senior Secured Creditors**") will include the agent under the New Revolving Credit Facility (the "**Senior Agent**"), the Security Agent, the lenders under the New Revolving Credit Facility (the "**RCF Lenders**"), issuing banks and ancillary lenders under the New Revolving Credit Facility and the Senior Secured Notes Trustee for the holders of the Senior Secured Notes. The Intercreditor Agreement will also allow for accession by creditors of future loan or bond indebtedness of the Obligors (which is permitted by or not restricted under the terms of the New Revolving Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt (as defined below) and the Future Senior Subordinated Debt (as defined below)), including any senior secured notes issued after the Issue Date pursuant to the Senior Secured Notes Indenture ("**Additional Senior Secured Notes**"), to share in the relevant security shared (as the case may be, both prior to and subsequent to the Post-Completion Merger) by the Senior Secured Creditors (the "**Future Pari Passu Debt**") and hedge counterparties party to interest rate or foreign exchange hedging agreements referred to below, which are secured on a super senior basis (the "**Super Senior Hedging Agreements**") (the "**Super Senior Hedging Banks**") and hedge counterparties party to interest rate or foreign exchange hedging agreements referred to below which are secured on a pari passu basis (the "**Pari Passu Hedging Agreements**") (the "**Pari Passu Hedging Banks**") and, together with the Super Senior Hedging Banks, the "**Hedging Banks**". Holders of Future Pari Passu Debt and such hedge counterparties are also Senior Secured Creditors.

The Intercreditor Agreement will also allow for accession by creditors of future indebtedness of the Obligors (which is permitted by or not restricted under the terms of the finance documents relating to debt owing to the Senior Secured Creditors as senior secured creditors (the "**Senior Secured Debt**") and the Future Senior Subordinated Debt (as defined below)) and provided that such future indebtedness complies with agreed parameters (if any) for the relevant class of such future indebtedness. Any such future indebtedness that is subordinated to the Senior Secured Debt and complies with agreed parameters (if any) for senior subordinated debt shall be "**Future Senior Subordinated Debt**" for the purposes of the Intercreditor Agreement. Holders of Future Senior Subordinated Debt are "**Future Senior Subordinated Creditors**".

There will be a single Security Agent appointed to act at all times on behalf of all Senior Secured Creditors and Future Senior Subordinated Creditors.

Neither the Issuer nor any of its Restricted Subsidiaries (each a member of the "**Group**") nor shareholder of a member of the Group which is not otherwise party to (1) a document creating security in favour of the Senior Secured Creditors or the Future Senior Subordinated Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for (i) any shareholder of the Issuer in respect of any existing or future loan made to the Issuer or any of its Restricted Subsidiaries (each a "**Shareholder Subordinated Lender**") (and the Intercreditor Agreement will contain customary subordination provisions and restrictions relating to the receivables owing from any member of the Group to any Shareholder Subordinated Lender (the "**Subordinated Debt Liabilities**")) and (ii) certain members of the Group that lend to an Obligor (each an "**Intragroup Lender**") that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such Obligor to such member of the Group in respect of intra-group loans (other than the Funding Loans), (the "**Intra-Group Liabilities**"). The Intercreditor Agreement will contain subordination provisions relating to any Intra-Group Liabilities. However, Obligors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the New Revolving Credit Facility or the Senior Secured Notes Indenture is continuing.

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement will provide that the liabilities of the Obligors, as the case may be, in respect of the New Revolving Credit Facility (the "**New Revolving Credit Facility Liabilities**"), the Senior Secured Notes (the "**Senior Secured Notes Liabilities**"), the Future Pari Passu Debt (the "**Future Pari Passu Debt Liabilities**"), the amounts owing to the Super Senior Hedging Banks under the Super Senior Hedging Agreements (the "**Super Senior Hedging Liabilities**") and the amounts owing to the Pari Passu Hedging Banks under the Pari Passu Hedging Agreements (the "**Pari Passu Hedging Liabilities**"), and certain customary costs and expenses of the Senior Secured Notes Trustee (the "**Senior Secured Trustee Liabilities**") will rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of the Obligors, as the case may be, in respect of the Future Senior Subordinated Debt (the "**Future Senior Subordinated Debt Liabilities**"), Intra-Group Liabilities and the Subordinated Debt Liabilities.

The Future Senior Subordinated Debt will rank in priority to the Intra-Group Liabilities and the Subordinated Debt Liabilities.

Priority of Security

The Intercreditor Agreement shall provide that the Transaction Security (as defined below) shall rank and secure the following liabilities (which includes, prior to the Post-Completion Merger, the pledge over shares in the Issuer and Sisal Group S.p.A. and the assignment of liabilities owing to the Issuer in respect of the relevant Funding Loan and,

subsequent to the Post-Completion Merger, the pledge over the shares in MergerCo) in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below):

- **first**, the New Revolving Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Debt Liabilities, certain customary costs and expenses of the Senior Secured Trustee and the Pari Passu Hedging Liabilities; and
- **second**, the Future Senior Subordinated Debt Liabilities.

If security is to be granted for Future Pari Passu Debt then, to the extent such Future Pari Passu Debt cannot be secured on a pari passu basis with the Senior Secured Debt without existing security first being released, the Parties agree that such Future Pari Passu Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser- ranking basis and such Future Pari Passu Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security pari passu with Senior Secured Debt which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future Pari Passu Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release and retaking of security under the existing security documents shall be permitted unless permitted under the documents thereby secured, or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Senior Subordinated Debt then, to the extent such Future Senior Subordinated Debt cannot be secured on a subordinated basis with the Senior Secured Debt and/or on a pari passu basis with other Future Senior Subordinated Debt without existing security first being released, the Parties agree that such Future Senior Subordinated Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a lesser- ranking basis and such Future Senior Subordinated Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security as contemplated above and any amounts to be applied towards such Future Senior Subordinated Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release and retaking of security under the existing security documents shall be permitted unless permitted under the documents thereby secured, or if not so permitted under a specific document, without the consent of the required creditors under that document.

Equivalent provisions to the two paragraphs above are included in the Intercreditor Agreement in respect of additional credit facilities that are to benefit from a similar position under the terms of the Intercreditor Agreement to that of the New Revolving Credit Facility. See the section entitled *"General"* below.

Any guarantees to be provided by a Restricted Subsidiary of the Issuer in respect of the Future Senior Subordinated Debt shall be given on a subordinated basis and shall not be given if such entity has not given a guarantee in relation to any Senior Secured Debt.

Payments and Prepayments; Subordination of the Future Senior Subordinated Debt

The Obligors may make payments and prepayments in respect of the New Revolving Credit Facility, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, and the Senior Secured Notes at any time in accordance with their terms and may prepay or acquire the Senior Secured Notes subject to compliance with any conditions relating to purchases of Senior Secured Notes described in the Senior Secured Notes Indenture.

Prior to the discharge of all Senior Secured Debt, neither the Issuer nor any Guarantor may make payments in respect of the Future Senior Subordinated Debt Liabilities without the consent of the Majority Super Senior Secured Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) except for the following:

(1) if:

(a) the payment is:

(i) any of the principal or interest (including capitalized interest) amount of the Future Subordinated Debt Liabilities which is either (1) not prohibited from being paid by a New Revolving Credit Facility finance document, the Senior Secured Notes Indenture or any Future Pari Passu Debt finance document or (2) is paid on or after the final maturity of the Future Senior Subordinated Debt Liabilities; or

(ii) any other amount which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt, additional amounts payable as a result of the tax gross up provisions relating to the Future Senior Subordinated Debt Liabilities and amount in respect of currency indemnities in the relevant debt documents for the Future Senior Subordinated Debt;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the New Revolving Credit Facility and no payment default of €100,000 or more in respect of the Senior Secured Notes Liabilities or Future Pari Passu Debt Liabilities is continuing (a "**Senior Payment Default**"); or

(2) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated debt documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated debt documents);

(3) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the New Revolving Credit Facility, the Senior Secured Notes Indenture and any Future Pari Passu Debt document; or

(4) in respect of any Future Senior Subordinated Debt issued in the form of notes, certain customary costs and expenses payable to the Future Senior Subordinated Debt Representative.

Prior to the discharge of all the Senior Secured Debt, if a Senior Payment Default has occurred and is continuing, all payments in respect of the Future Senior Subordinated Debt Liabilities (other than certain very limited exceptions) are suspended.

Prior to the discharge of all the Senior Secured Debt, if an event of default (other than a Senior Payment Default) under the finance documents in respect of the Senior Secured Debt (a "**Senior Default**") has occurred and is continuing and the creditor representative of the Future Senior Subordinated Creditors (the "**Future Senior Subordinated Debt Representative**") has received a Payment Blockage Notice from either the Senior Agent or the Senior Secured Notes Trustee or the representative of the Future Pari Passu Debt representing Future Pari Passu Debt (as the case may be) (the "**Relevant Representative**") within 60 days of the date such Relevant Representative receives notice in writing of the occurrence of such Senior Default, confirming that it is a Senior Default and specifying the relevant Senior Default; all payments in respect of the Future Senior Subordinated Debt liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and certain specified exceptions) are suspended until the earliest of:

(i) the date on which there is a waiver, remedy or cure of such Senior Default in accordance with the relevant finance documents; or

(ii) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

(iii) 179 days after the receipt by the Future Senior Subordinated Debt Representative of the Payment Blockage Notice;

(iv) the repayment and discharge of all obligations in respect of the Senior Secured Debt;

(v) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time an event of default is continuing in relation to the Senior Secured Debt (other than the Senior Secured Debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) notify/ies the Future Senior Subordinated Debt Representative that the Payment Blockage Notice is cancelled;

(vi) the date on which the Security Agent or Future Senior Subordinated Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(vii) the date on which the relevant event of default is no longer continuing and if the Senior Secured Debt has been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt); or

(viii) if a Standstill Period (as defined below) is in effect at any time after delivery, of a Payment Blockage Notice, the date on which the Standstill Period expires.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Future Senior Subordinated Debt and if it does so promptly any event of default under the Future Senior Subordinated Debt caused by such delayed payment shall be waived and any notice commencing a Standstill Period which may has been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Future Senior Subordinated Debt; Standstill

Prior to the discharge of all the Senior Secured Debt, neither the Future Senior Subordinated Debt Representative nor the holders of the Future Senior Subordinated Debt may take Enforcement Action with respect to the Future Senior Subordinated Debt (including any action against the Issuer or the guarantors of the Future Senior Subordinated Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document without the prior consent of or as required by an Instructing Group (as defined below), except if (1) an event of default has occurred under the Future Senior Subordinated Debt resulting from failure to pay principal at final maturity or (2):

(a) an event of default under the debt documents for the Future Senior Subordinated Debt is continuing;

(b) the Senior Agent and the other representatives of the Senior Secured Debt have received notice of the specified event of default from the Future Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Standstill Period,

provided that in the case of (2) only, no such action may be taken if the Security Agent is acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such action might reasonably likely adversely affect such Enforcement.

A "**Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves an enforcement notice on the Senior Agent and the Future Senior Subordinated Debt Representative and the representative of any Future Pari Passu Debt until the earliest of:

(a) 179 days after such date;

(b) the date on which the Senior Secured Creditors take Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that the Future Senior Subordinated Debt Representative and holders of Future Senior Subordinated Debt may only take the same Enforcement Action against the same entity as is taken by the Senior Secured Creditors and may not take any other action against any other member of the Group or LuxCo (or any substitute entity (if any));

(c) the date on which an insolvency event occurs in respect of the Issuer or any guarantor of the Future Senior Subordinated Debt against whom Enforcement Action is to be taken;

(d) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt; and

(e) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Enforcement by Holders of Secured Debt

Prior to the date upon which all amounts (actual or contingent) owing under the New Revolving Credit Facility are fully discharged and paid in full and all commitments thereunder are irrevocably cancelled (the "**RCF Discharge Date**"), the Security Agent will act on the instructions of (i) the RCF Lenders and the Super Senior Hedging Banks whose super senior credit participations represent more than 66 2/3% of the aggregate super senior credit participations of all RCF Lenders and such Super Senior Hedging Banks and their relevant representatives (the "**Majority Super Senior Creditors**") and/or (ii) the holders of the Senior Secured Notes, the holders of Future Pari Passu Debt and the Pari Passu Hedging Banks (collectively, the "**Pari Passu Creditors**") whose aggregate senior secured credit participations represent more than 50% of the aggregate senior secured credit participations of all such creditors (the "**Majority Senior Secured Creditors**"), in each case subject to the consultation period referred to below and provided that such instructions are consistent with the security enforcement principles set forth below.

Following the RCF Discharge Date, the Security Agent will act on the instructions of the Majority Senior Secured Creditors.

Consultation

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a distressed disposal and/or the release or disposal of claims or Transaction Security on a distressed disposal ("**Enforcement**"), the relevant representative of the Senior Secured Debt shall notify the other Senior Secured Debt representatives that the applicable Transaction Security has become enforceable. As soon as reasonably

practicable after receipt of such a notice instructing the Security Agent to solicit instructions to enforce security given by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors, the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the Senior Agent (acting on the instructions of the Majority Super Senior Creditors), the Senior Secured Notes Trustee and the representative of the holders of Future Pari Passu Debt will consult in good faith with each other and the Security Agent for a period of 15 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) with a view to coordinating the instructions to be given by an Instructing Group and agreeing an enforcement strategy (the "**Consultation Period**").

No such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of the Consultation Period, in each case provided such instructions comply with the Security Enforcement Principles set forth below ("**Qualifying Instructions**")) where:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event affecting LuxCo (or any substitute entity (if any)), the Issuer, Sisal Group S.p.A., any entity resulting from the Post-Completion Merger or a borrower or a guarantor or any subsidiary that is a "Significant Subsidiary" or "Material Company" or a group of subsidiaries that combined would constitute a "Significant Subsidiary" or "Material Company" under the Senior Secured Notes Indenture or the New Revolving Credit Facility (as applicable) (each a "**Relevant Company**"); or

(b) the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (each an "**Instructing Group**") determine in good faith (and notifies each other representative agent of the other creditors party to the Intercreditor Agreement) that any delay caused by such consultation could reasonably be expected to reduce the amount likely to be realised to a level such that (following application thereof in accordance with the Payment Waterfall described below) the Super Senior Liabilities would not be discharged in full and in this case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting instructions (and for these purposes silence is deemed to be a conflicting instruction) are received from either Instructing Group by the end of the Consultation Period, the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received by the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If prior to the RCF Discharge Date:

(a) the Super Senior Liabilities have not been repaid in full in cash within six months of the end of the Consultation Period;

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period; or

(c) an insolvency event has occurred with respect to a Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Relevant Company,

then the Security Agent shall thereafter follow any instructions that are subsequently given by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors).

Security Enforcement Principles

Unless otherwise agreed between the Majority Super Senior Creditors and the Majority Senior Secured Creditors, enforcement of the Transaction Security must be conducted in accordance with the "**Security Enforcement Principles**", which are summarized as follows:

(a) It shall be the aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realisation of value from enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery of the RCF Lenders, the Hedging Banks, the holders of the Senior Secured Notes, the holders of the Future Pari Passu Debt and the holders of the Future Senior Subordinated Debt (to the extent the Transaction Security is expressed to secure such debt) (in each case without prejudice to the Payment Waterfall) (the "**Security Enforcement Objective**").

(b) The Security Enforcement Principles may be amended, varied or waived with the prior written consent of Senior Secured Notes Required Holders (as defined below), the Future Pari Passu Debt Required Holders (as defined below) and the Majority Super Senior Creditors.

(c) Without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced such that either (1) all Enforcement Proceeds are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or (2) sufficient Enforcement Proceeds will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full.

(d) On (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall (unless such enforcement is made pursuant to a public auction or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a "**Financial Advisor**") to opine (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances (provided that the provider of such opinion may limit its liability in respect of such opinion to the amount of its fees in respect of such engagement), and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement or any other provision of the Intercreditor Agreement.

(f) The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Future Pari Passu Debt Required Holders and the Issuer.

Turnover

The Intercreditor Agreement will also provide that if any Primary Creditor (as defined below) receives or recovers the proceeds of any enforcement of any Transaction Security and in addition if any noteholder under the Future Senior Subordinated Debt receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the "Application of Proceeds/Waterfall" described below that it shall (subject to certain prior actual knowledge qualifications in the case of the notes trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

In addition, the Intercreditor Agreement will also provide that if any Senior Secured Notes Creditor, Future Pari Passu Creditor or Future Senior Subordinated Creditor receives or recovers the proceeds of any guarantee of the Senior Secured Notes, the Future Pari Passu Debt and/or the Future Senior Subordinated Debt (the **"Senior Guarantee Liabilities"**) except in accordance with the "Application of Guarantee Proceeds/Waterfall" described below, that it will:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds/Waterfall

All amounts received or recovered by the Security Agent in connection with the realisation of all or any part of the Transaction Security or on an Enforcement or otherwise paid to the Security Agent in accordance with the Intercreditor

Agreement for application in accordance with the Payments Waterfall (the "**Enforcement Proceeds**") will be paid to the Security Agent for application in accordance with the following payments waterfall (the "**Payments Waterfall**"):

- **first**, in payment of the following amounts in the following order (i) pari passu and pro rata any sums owing to the Senior Secured Notes Trustee and Security Agent in respect of their costs and expenses and then (ii) pari passu and pro rata to each other creditor representative to the extent not included in (i) above in respect of their costs and expenses;
- **secondly**, pari passu and pro rata, in or towards payment of all costs and expenses incurred by the holders of Super Senior Liabilities in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **thirdly**, pari passu and pro rata to (i) the RCF Lenders in respect of all amounts then due and payable to the RCF Lenders at such time; and (ii) to the Super Senior Hedging Banks in respect of amounts then due and payable under any Super Senior Hedging Agreements (a) relating to hedging interest rate exposures under the Senior Secured Notes, Additional Senior Secured Notes, Future Pari Passu Debt, Future Senior Subordinated Debt or any other financial indebtedness which, in each case, is floating rate debt and (b) relating to hedging exchange rate exposures under any Future Pari Passu Debt, Future Senior Subordinated Debt or any other financial indebtedness which, in each case, is not denominated in Euros;
- **fourth**, pari passu and pro rata to the Senior Secured Notes Trustee (and/or the representative of any Future Pari Passu Creditors) for application towards any unpaid costs and expenses incurred by or on behalf of any holders of Senior Secured Notes, holders of Future Pari Passu Debt or holders of Pari Passu Hedging Liabilities in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **fifth**, pari passu and pro rata to the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities, to the representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt for application towards the discharge of all Future Pari Passu Debt Liabilities and to the Pari Passu Hedging Banks in respect of amounts then due and payable under any Pari Passu Hedging Agreements;
- **sixth**, pari passu and pro rata in or towards payment to the Future Senior Subordinated Debt Representative of all costs and expenses incurred by the holders of Future Senior Subordinated Debt in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **seventh**, pari passu and pro rata in or towards payment to the Future Senior Subordinated Debt Representative on behalf of the holders of Future Senior Subordinated Debt for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and
- **eighth**, after the final discharge date, to any relevant Debtor or such other person as may be entitled thereto.

For the avoidance of doubt (other than as provided above) payments of Enforcement Proceeds may only be made to the Senior Secured Notes Trustee for the holders of the Senior Secured Notes, if all payments then due and payable under the New Revolving Credit Facility to the RCF Lenders, ancillary lenders and issuing bank and to the Super Senior Hedging Banks in respect of the Super Senior Hedging Liabilities and the other payments referred to under "thirdly" above (together, the "**Super Senior Liabilities**") have been paid in full.

Application of Guarantee Proceeds/Waterfall

All amounts from time to time received or recovered by the Security Agent in respect of Senior Guarantee Liabilities will be paid to the Security Agent for application in accordance with the following guarantee payments waterfall:

- **first,** in payment of the following amounts in the following order: (i) pari passu and pro rata any sums owing to the Senior Secured Notes Trustee and Security Agent in respect of their costs and expenses and then (ii) pari passu and pro rata to each creditor representative of the holders of the Senior Secured Notes, holders of the Future Pari Passu Debt and holders of Future Senior Subordinated Debt to the extent not included in (i) above in respect of their costs and expenses;
- **second,** pari passu and pro rata to the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities and to each Creditor representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt it represents for application towards the discharge of all Future Pari Passu Debt Liabilities;
- **third,** pari passu and pro rata to each Future Senior Subordinated Debt Representative on behalf of the holders of Future Senior Subordinated Debt it represents for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and
- **fourth,** after the final discharge date, to any relevant Debtor or such other person as may be entitled to it.

Payments made in breach of both of the above sections will be held in trust by the relevant recipient and turned over to the Security Agent for application in accordance with this paragraph above.

Acceleration

If an event of default occurs under the New Revolving Credit Facility, the Senior Secured Notes or Future Pari Passu Debt then any decision to accelerate the New Revolving Credit Facility or Senior Secured Notes or Future Pari Passu Debt and, subject as provided below, to take any other Enforcement Action will be determined in accordance with the provisions of the New Revolving Credit Facility or the Senior Secured Notes Indenture or in accordance with the terms of the Future Pari Passu Debt (as applicable). The Intercreditor Agreement will contain provisions requiring each representative of any Pari Passu Creditors, the Senior Agent and the Senior Secured Notes Trustee to notify the other representatives of the Senior Secured Creditors and the Future Senior Subordinated Creditors of any instructions to accelerate the New Revolving Credit Facility, Senior Secured Notes or Future Pari Passu Debt (as applicable).

Non-distressed Disposal

In circumstances where a disposal or certain other specified transactions are not being effected pursuant to a Distress Event (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Senior Secured Notes Indenture and the debt documents for the Future Pari Passu Debt and the Future Senior Subordinated Debt and the finance documents for the New Revolving Credit Facility, the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Transaction Security (and in connection with such release, execute any related documents); and (ii) if the relevant asset consists of shares in the capital of an Obligor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Obligor and the shares in and assets of any of its subsidiaries.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of an Obligor, to release (a) that Obligor and any subsidiary of that Obligor from all or any part of its liabilities to the Senior Secured Creditors or Future Senior Subordinated Creditors or others or otherwise in connection with the Transactions ("**Primary Liabilities**") or other liabilities it may have to Shareholder Subordinated Lenders, Intragroup Lenders or Obligors ("**Other Liabilities**"); (b) any Transaction Security granted by that Obligor or any subsidiary of that Obligor over any of its assets; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender, or another Obligor over that Obligor's assets or over the assets of any subsidiary of that Obligor; (iii) if the asset which is disposed of consists of shares in the capital of any holding company of an Obligor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender or another Obligor over the assets of any subsidiary of that holding company; and (iv) if the asset which is disposed of consists of shares in the capital of an Obligor or a holding company of an Obligor, to provide, for (1) the transfer of liabilities to another Obligor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement Principles) the disposal, to third parties, of creditor's claims against that Obligor or holding company (which may include claims against the Issuer).

If a Distressed Disposal is being effected such that the claims of the holders of the Future Senior Subordinated Debt against the Issuer, any guarantees in respect of the Future Senior Subordinated Debt and/or Transaction Security securing the Future Senior Subordinated Debt will be released, it is a condition to the release that either:

(i) the Future Senior Subordinated Debt Representative has approved the release on the instructions of the Future Senior Subordinated Debt Required Holders; or

(ii) each of the following conditions are satisfied:

  (A) the proceeds of such sale or disposal are in cash (or substantially in cash);

  (B) all present or future obligations owed to the secured parties under the Senior Secured Debt documents by a member of the Group all of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and

  (C) such sale or disposal (including any sale or disposal of any claim) is made:

    (I) pursuant to a public auction; or

(II) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "*—Application of Proceeds/Waterfall*" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Voting and Amendments

Voting in respect of the New Revolving Credit Facility, the Senior Secured Notes and/or Future Pari Passu Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) the Majority Super Senior Creditors;

(b) the Senior Secured Notes Required Holders and the Future Pari Passu Debt Required Holders;

(c) the Future Senior Subordinated Creditors whose aggregate senior subordinated secured credit participations represent more than 50% of the aggregate senior subordinated secured credit participations of all such creditors;

(d) the Security Agent; and

(e) the Issuer and Sisal Group S.p.A., if a party;

provided that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class shall be required. Notwithstanding the paragraph immediately above, an amendment or waiver relating to provisions dealing with (i) ranking and priority, (ii) turnover of Receipts, (iii) redistribution, (iv) enforcement of Transaction Security, (v) disposal proceeds, (vi) application of proceeds, (vii) amendments, and (viii) certain provisions relating to the instructions to and exercise of discretion by the Security Agent or the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of:

(a) the RCF Lenders;

(b) the Senior Secured Notes Trustee;

(c) the representative of the holders of Future Pari Passu Debt;

(d) each Hedging Bank (to the extent that the amendment or waiver would adversely affect such Hedging Bank);

(e) the Future Senior Subordinated Debt Representative; and

(f) the Issuer and Sisal Group S.p.A., if a party.

Definitions

The Intercreditor Agreement shall provide that:

(a) "**Future Senior Subordinated Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of Future Senior Subordinated Debt holding in aggregate a principal amount of Future Senior Subordinated Debt which is not less than the principal amount of Future Senior Subordinated Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Senior Subordinated Debt;

(b) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Pari Passu Creditors holding in aggregate a principal amount of Future Pari Passu Debt which is not less than the principal amount of Future Pari Passu Debt required to vote in favor of such direction, consent or waiver under the

terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Pari Passu Debt;

(c) "**Primary Creditors**" means the Super Senior Creditors, the Senior Secured Notes Creditors, the Future Pari Passu Creditors and the Future Senior Subordinated Creditors;

(d) "**Senior Secured Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable);

(e) "**Transaction Security**" means the security created or expressed to be created under or pursuant to the Transaction Security Documents; and

(f) "**Transaction Security Documents**" means: (i) as defined (or equivalent term) in the New Revolving Credit Facility, any other Credit Facility (as referred to below) and/or a document governing any Future Pari Passu Debt; (ii) any other document entered into at any time by any member of the Group or LuxCo (or any substitute entity (if any)) creating any security in favour of any of the secured parties as security for any of the secured obligations; and (iii) any security granted under any covenant for further assurance in any of the documents set out in paragraphs (i) and (ii) above, which in each case, to the extent legally possible and subject to the Agreed Security Principles, is created in favour of (A) the Security Agent as trustee for the relevant secured parties in respect of their liabilities; or (B) in the case of any jurisdiction in which effective security cannot be granted in favour of the Security Agent as trustee for the secured parties, the relevant Secured Parties in respect of their Liabilities or (other than for Security governed by Italian law) the Security Agent under a parallel debt structure for the benefit of the relevant Secured Parties.

Prior to the discharge of all the Senior Secured Debt, the Future Senior Subordinated Debt Representative may not without the consent of the Majority Super Senior Creditors and Majority Senior Secured Creditors amend or waive the terms of the debt documents of the Future Senior Subordinated Debt to the extent that it would result in them being inconsistent with the agreed major terms for such Future Senior Subordinated Debt.

Option to Purchase

Following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) an acceleration of the New Revolving Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt or the Future Senior Subordinated Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"),

the holders of the Senior Secured Notes and Future Pari Passu Debt shall have an option to purchase all (but not part) of the RCF Lenders' (or their affiliates) commitments under the New Revolving Credit Facility and all their exposures in respect of any Hedging Agreement at par plus accrued interest and all other amounts owing under the New Revolving Credit Facility and Hedging Agreements, with such purchase to occur all at the same time.

Following a Distress Event, the holders of the Future Senior Subordinated Debt shall have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Hedging

All payments permitted under a Hedging Agreement (other than close out payments (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement will contain customary provisions in relation to the circumstances in which a Hedging Bank may take Enforcement Action in relation to its hedging and customary provisions to provide that the Group is not over-hedged.

General

The Intercreditor Agreement will contain provisions dealing with:

(a) close-out rights for the Hedging Liabilities;

(b) permitted payments (including without limitation, the repayment of Subordinated Debt Liabilities and the payment of permitted distributions in each case to the extent permitted under the terms of the finance documents relating to the Senior Secured Debt and the Future Senior Subordinated Debt);

(c) incurrence of Future Pari Passu Debt or Future Senior Subordinated Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt or Future Senior Subordinated Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement (including, without limitation, note trustee protections and permissions associated with the payment of note trustee amounts) so long as not prohibited under the New Revolving Credit Facility or the Senior Secured Notes Indenture and in compliance with the agreed parameters for such class of debt (if any) and the Future Senior Subordinated Debt shall be subject to the relevant subordination provisions under the Intercreditor Agreement;

(d) the ability to incur additional Credit Facilities benefiting from a similar position under the terms of the Intercreditor Agreement as the New Revolving Credit Facility (to the extent such additional Credit Facilities are allowed under the terms of the finance documents relating to Senior Secured Notes to share in the Transaction Security with the rights and obligations equivalent to that of the New Revolving Credit Facility Lenders and which is permitted by the terms of the finance documents relating to Senior Secured Notes to rank senior to the Senior Secured Notes Liabilities with respect to the proceeds of any Enforcement of the Transaction Security); and

(e) payments received by creditors which are not permitted by the Intercreditor Agreement shall be required to be held on trust for the Security Agent and provided to the Security Agent for application in accordance with the Payments Waterfall.

Governing law

The Intercreditor Agreement will be governed by and construed in accordance with English law.

Other Debt

In addition to the indebtedness described above, we currently have €3.2 million of debt under finance leases, factoring of receivables and other financial liabilities.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "Certain Definitions". For purposes of this "Description of the Notes", references to the "Issuer", "we", "our", and "us" refer only to Schumann S.p.A. prior to the Post-Completion Merger and MergerCo subsequent thereto.

The Issuer will issue €325.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2022 (the "Floating Rate Notes") and €400.0 million aggregate principal amount of 7.00% Senior Secured Fixed Rate Notes due 2023 (the "Fixed Rate Notes" and, together with the Floating Rate Notes, the "Notes") under an indenture to be dated as of July 28, 2016 (the "Indenture"), between, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c., as trustee (the "Trustee") and Security Representative and Noteholders' Representative (each term as defined below), UniCredit Bank AG, Milan Branch, as security agent (the "Security Agent") and Deutsche Bank AG, London Branch, as paying agent. Upon the initial issuance of the Notes, the Notes will not be guaranteed by any of our Subsidiaries. The Indenture will not incorporate or include, or be subject to the U.S. Trust Indenture Act of 1939, as amended.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with the Equity Contribution, to fund the purchase price for the Acquisition, refinance certain existing indebtedness of the Target Group and to pay costs and expenses incurred in connection with the Transactions as set forth in this Offering Memorandum under the caption "Use of Proceeds." Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of this offering of the Notes into segregated escrow accounts (the "Escrow Accounts") pursuant to the terms of an escrow deed (the "Escrow Agreement") dated as of the Issue Date among the Issuer, the Trustee and Deutsche Bank AG, London Branch, as Notes escrow agent (the "Escrow Agent"). If the Acquisition is not consummated on or prior to January 31, 2017 (the "Escrow Longstop Date"), the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See "—Escrow of Proceeds; Special Mandatory Redemption." Following the Completion Date and prior to the Post-Completion Merger, the Notes will be secured by the Pre-Merger Collateral (as defined under "—Security"). Following the Post-Completion Merger, the Notes will be secured by the Post-Merger Collateral (as defined under "—Security"). See "—Security". The Pre-Merger Collateral and the Post-Merger Collateral are collectively referred to herein as the Collateral.

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer. Prior to the Completion Date, we will not control Sisal Group or any of its Subsidiaries, and none of Sisal Group nor any of its Subsidiaries will be subject to the covenants described in this Description of the Notes. As such, we cannot assure you that prior to the Completion Date, Sisal Group and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The Indenture will be unlimited in aggregate principal amount, of which €725.0 million aggregate principal amount of Notes will be issued in this Offering. We may, subject to applicable law, issue an unlimited principal amount of additional Fixed Rate Notes having identical terms and conditions as the Fixed Rate Notes (the "Additional Fixed Rate Notes") and an unlimited principal amount of additional Floating Rate Notes having identical terms and conditions as the Floating Rate Notes (the "Additional Floating Rate Notes" and, together with the Additional Fixed Rate Notes, the "Additional Notes"); provided, that if the Additional Notes are not fungible with the relevant series of Fixed Rate Notes or Floating Rate Notes for U.S. federal income tax purposes, the Additional Notes will be issued with a separate ISIN code or common code, as applicable, from the Notes. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "—Certain Covenants—Limitation on Indebtedness"). Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture, the Notes issued in this Offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this "Description of the Notes", references to the "Notes" include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. Please see "Description of Other Indebtedness—Intercreditor Agreement" for a description of the material terms of the Intercreditor Agreement.

This "Description of the Notes" is intended to be an overview of the material provisions of the Notes, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of such documents are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer, secured as set forth under "—Security";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the Revolving Credit Facility;
- rank senior in right of payment to any future Indebtedness of the Issuer that is expressly subordinated to the Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be effectively subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors; and
- not be guaranteed, but within 90 days following the Completion Date will be unconditionally guaranteed on a senior basis by the Guarantors, subject to the limitations described herein and in "Risk Factors—Risks Related to the Notes—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability" and "Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations."

The Guarantees

Each Guarantee will, upon issuance:

- be a general senior obligation of the applicable Guarantor, secured as set forth under "—Security";
- rank *pari passu* in right of payment with any existing or future Indebtedness of the applicable Guarantor that is not subordinated in right of payment to the applicable Guarantee, including its obligations under the Revolving Credit Facility;
- rank senior in right of payment to any existing or future Indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to the applicable Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of the applicable Guarantor that is secured by property or assets that do not secure the Guarantee, to the extent of the value of the property and assets securing such Indebtedness or obligation; and
- be subject to the limitations described herein and in "Risk Factors—Risks Related to the Notes—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability" and "Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law.

Principal and Maturity

The Issuer will issue €325.0 million in aggregate principal amount of Floating Rate Notes and €400.0 million in aggregate principal amount of Fixed Rate Notes on the Issue Date. The Floating Rate Notes will mature on July 31, 2022 and the Fixed Rate Notes will mature on July 31, 2023. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Fixed Rate Notes will accrue at the rate of 7.00% per annum. Interest on the Fixed Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on January 31 and July 31, commencing on January 31, 2017;
- be payable to the holder of record of such Fixed Rate Notes on the January 30 and July 30 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Floating Rate Notes will accrue at a rate per annum (the "Applicable Rate"), reset quarterly, equal to the sum of (i) three-month EURIBOR (and if that rate is less than zero, EURIBOR shall be deemed to be zero) plus (ii) 6.625%, as determined by the calculation agent (the "Calculation Agent"), who shall initially be Deutsche Bank AG, London Branch. Interest on the Floating Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on January 31, April 30, July 31 and October 31, commencing on October 31, 2016;
- be payable to the holder of record of such Floating Rate Notes on the January 30, April 29, July 30 and October 30 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year and the actual number of days elapsed.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Floating Rate Notes.

"Determination Date" with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"EURIBOR" with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London or Frankfurt office of each of four major banks in the euro-zone inter-bank market, as selected by the Calculation Agent in consultation with the Issuer, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London or Frankfurt, as selected by the Calculation Agent in consultation with the Issuer, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"euro-zone" means the region comprised of member states of the European Union that adopt the euro.

"Interest Period" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include October 30, 2016.

"Representative Amount" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"Reuters Page 248" means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "Interest Amount"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Floating Rate Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (*e.g.*, 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law, *provided*, however, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Floating Rate Notes is permitted under any applicable law.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such

payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Note registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, Additional Amounts if any, on any certificated securities ("Definitive Registered Notes") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "—Paying Agent and Registrar for the Notes".

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC, or any other directive implementing the conclusions of the ECOFIN meeting of 26 and 27 November 2000 regarding the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, any such directive. The initial Paying Agent will be Deutsche Bank AG, London Branch (the "Principal Paying Agent").

The Issuer will also maintain a registrar (the "Registrar") and a transfer agent (the "Transfer Agent"). The initial Registrar and Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Guarantees

On the Issue Date the Notes will not be guaranteed. However, within 90 days following the Completion Date, the obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior basis, by each Subsidiary of the Issuer that is a guarantor under the Revolving Credit Facility.

The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The insolvency laws of Italy may not be as favorable to you as U.S. bankruptcy laws", "—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes, the Guarantees and the Collateral", and "Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations".

Within 90 days following the Completion Date and prior to the Post-Completion Merger, the Guarantors will consist of Sisal Group S.p.A., Sisal S.p.A. and Sisal Entertainment S.p.A., each of which is organized under the laws of Italy. Following the Post-Completion Merger, the Notes will be guaranteed by Sisal S.p.A. and Sisal Entertainment S.p.A. As of and for the year ended December 31, 2015, and on a *pro forma* basis after giving effect to the Transactions, the Issuer and the Guarantors represented 99.7%, 98.6% and 98.5% of the Group's consolidated total revenue and income EBITDA and total assets, respectively. As of March 31, 2016, on a pro forma basis after giving effect to the Transactions, the Issuer and its consolidated subsidiaries would have had €728.2 million principal amount of indebtedness, of which €725 million is represented by the Notes. This does not include €125 million available under the Revolving Credit Facility.

Following the Completion Date, a significant portion of the operations of the Issuer will be conducted through its Subsidiaries. Claims of creditors of non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of

those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Issuer (other than the Guarantors). After giving *pro forma* effect to the Transactions, as of March 31, 2016, the Subsidiaries of the Issuer that will not guarantee the Notes would have had €1.5 million of financial indebtedness outstanding. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "—Certain Covenants—Limitation on Indebtedness.

In addition, as described below under "—Certain Covenants—Additional Guarantees" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Revolving Credit Facility, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principles.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Each Guarantee and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability", "—The insolvency laws of Italy may not be as favorable to you as U.S. bankruptcy laws", "—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes" and "Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations."

The Guarantee of a Guarantor will terminate and release:

(1) upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

(2) upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) upon defeasance or discharge of the Notes, as provided in "—Defeasance" and "—Satisfaction and Discharge";

(4) with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Revolving Credit Facility and (ii) does not guarantee any other Credit Facility or Public Debt;

(5) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described under "—Amendments and Waivers";

(7) as described in the first paragraph of the covenant described below under "—Certain Covenants—Additional Guarantees";

(8) as a result of a transaction permitted by "—Merger and Consolidation—The Guarantors"; or

(9) in connection with a Permitted Reorganization.

Upon the request of the Issuer, the Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes"). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Transfer Restrictions". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "144A Book-Entry Interests") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Transfer Restrictions".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, the Issuer will not have any Subsidiaries. As of the Completion Date, all of our Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, under the circumstances described below under "—Certain Definitions—Unrestricted Subsidiary", we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries". Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture. Following the Completion Date, all of our operations will be conducted through our Subsidiaries and, therefore, we will depend on the cash flow of our Subsidiaries to meet our obligations, including our obligations under the Notes.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Accounts. Each Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Fixed Rate Notes or the Floating Rate Notes, as the case may be, pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "Escrow Charge"). The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "Escrowed Property."

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "Release"), the Escrow Agent and the Trustee shall have received from the Issuer, on or prior to the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that the following conditions have been met or will be satisfied:

- the Acquisition will be consummated on the terms set forth in the Acquisition Agreement, promptly following release of the Escrowed Property, except for any changes, waivers or other modifications that will not, individually or when taken as whole, have a materially adverse effect on the holders of the Notes;
- immediately after consummation of the Acquisition, the Issuer will directly own the entire share capital of Sisal Group S.p.A.;
- the Issuer will execute and deliver the Security Documents to be entered into on the Completion Date in accordance with the terms of the Indenture; and
- as of the date of delivery of the Officer's Certificate, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled "Events of Default" below with respect to the Issuer.

The Release shall occur following receipt of the Officer's Certificate in accordance with the terms of the Escrow Agreement. Upon the Release, the Escrow Accounts shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) the Issuer notifies the Escrow Agent and the Trustee that in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Issuer notifies the Escrow Agent and the Trustee that the Acquisition Agreement has been terminated at any time on or prior to the Escrow Longstop Date, (d) the Initial Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "Events of Default" on or prior to the Escrow Longstop Date with respect to the Issuer (the date of any such event being the "Special Termination Date"), the Issuer will redeem all of the Notes (the "Special Mandatory Redemption") at a price (the "Special Mandatory Redemption Price") equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one business day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the

Escrow Agreement (the "Special Mandatory Redemption Date"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the principal Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, one or more of the Initial Investors will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the Holders of the Notes, pursuant to an agreement between the Issuer and the Initial Investors. See "Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes".

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest in the applicable Escrow Accounts. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption (provided funds, sufficient to pay the Special Mandatory Redemption Price are in the Escrow Accounts) shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charges.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Security

General

Prior to the Completion Date, the Notes will be secured by a first-ranking security interest in the Escrowed Property applicable to the relevant series of Notes. See "—Escrow of Proceeds; Special Mandatory Redemption".

On the Completion Date (except as otherwise specified below) and prior to the Post-Completion Merger (as defined below), the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) all the issued Capital Stock of the Issuer;

(2) within one Business Day following the Completion Date, all the issued Capital Stock of Sisal Group S.p.A.;

(3) within one Business Day following the Completion Date, the receivables of the Issuer under the Sisal Group Proceeds Loan;

(4) within 90 days following the Completion Date, 99.81% of the issued Capital Stock of Sisal S.p.A. and all the issued Capital Stock of Sisal Entertainment S.p.A.;

(5) within 90 days following the Completion Date, the receivables of Sisal Group S.p.A. under the Sisal Proceeds Loan; and

(6) within 90 days following the Completion Date, the receivables of Sisal S.p.A. under the Sisal Entertainment Proceeds Loan (collectively, the "Pre-Merger Collateral").

Following completion of the Acquisition, we intend to merge (the "Post-Completion Merger") the Issuer with Sisal Group. Following the Post-Completion Merger, MergerCo (as defined below) will assume the obligations of the Issuer under the Notes. Concurrently with the Post-Completion Merger, the security interest in the shares of Sisal Group and the Issuer's rights under the Sisal Group Proceeds Loan will be released.

Following the Post-Completion Merger, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) all the issued Capital Stock of the entity resulting from the Merger ("MergerCo");

(2) 99.81% of the issued Capital Stock of Sisal S.p.A. and all the issued Capital Stock of Sisal Entertainment S.p.A.;

(3) the receivables of MergerCo under the Sisal Proceeds Loan; and

(4) the receivables of Sisal S.p.A. under the Sisal Entertainment Proceeds Loan (collectively, the "Post-Merger Collateral" and, together with the Pre-Merger Collateral, the "Collateral").

Each of the Issuer and, subsequent to the Post-Completion Merger, MergerCo shall take such necessary actions and shall cause its Restricted Subsidiaries to take such necessary actions so that the Post-Merger Collateral shall be, to the extent legally possible and subject to the Agreed Security Principles, confirmed no later than the date that is 90 days after the Merger Date.

We cannot assure you that we will be able to complete the Post-Completion Merger. See "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—We may be unable to complete the Post-Completion Merger within the anticipated time frame, or at all".

Subject to certain conditions, including compliance with the covenants described under "—Certain Covenants—Impairment of Security Interest" and "—Certain Covenants—Liens", the Issuer is permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including any Additional Notes issued by the Issuer as permitted under the Indenture and the Intercreditor Agreement. See "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral".

Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantees and the Indenture would also constitute "Collateral". All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "—Certain Covenants—Additional Guarantees", certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. The following is a summary of certain terms of the Agreed Security Principles:

- general legal and statutory limitations, financial assistance (including under Article 2358 and/or 2374 of the Italian Civil Code), capital maintenance, corporate benefit, fraudulent preference, "interest stripping", "controlled foreign corporation", thin capitalization rules, retention of title claims, employee consultation or approval requirements and similar principles may limit the ability of the Issuer and its Restricted Subsidiaries (collectively, the "Group") to provide a Guarantee or security or may require that the Guarantee or security be limited by an amount or otherwise. If any such limit applies, the Guarantees and security provided will be limited to the maximum amount which the relevant member of the Group may provide having regard to applicable law (including any jurisprudence) and subject to fiduciary duties of management;

- the giving of a Guarantee, the granting and the terms of security or the perfection of the security granted will not be required to the extent that the Group would incur any legal fees, registration fees, stamp duty, taxes and any other fees or costs directly associated with such security or Guarantee which are disproportionate to the benefit obtained by the secured parties or having regard to the extent of the obligations which can be guaranteed or secured by that security and the priority that will be offered by taking or perfecting the security. In particular, it is acknowledged that the Guarantor will not opt (where possible) for the *Imposta Sostitutiva* regime pursuant to article 15 and subsequent of Italian Presidential Decree No. 601/1973 as amended and supplemented from time to time. Accordingly, security that requires payment in Italy of an *ad valorem* registration tax on the amount of the secured obligations will not be taken unless it can be executed by way of exchange of correspondence. Security that requires payment in a non-Italian jurisdiction of an *ad valorem* registration tax on the amount of the secured obligation will not be taken if tax duty cannot be minimized upon execution (including through a cap to the secured obligations agreed between the security agent and the Issuer);

- where there is material incremental cost involved in creating security over all assets owned by the Issuer or any Guarantor in a particular category the principle stated in the previous bullet above shall apply and, subject to the Agreed Security Principles, only the material assets in that category shall be subject to security;

- in certain jurisdictions it may be either impossible, impractical or disproportionately costly to grant Guarantees or create security over certain categories of assets in which event such Guarantees will not be granted and security will not be taken over such assets;

- certain supervisory board, works council, regulator or regulatory board (or equivalent), or another external body's or person's consent may be required to enable a member of the Group to provide a guarantee or security. Such guarantee and/or security shall not be required unless such consent has been received provided that reasonable endeavours have been used by the relevant member of the Group to obtain the relevant consent (in each case if the security agent, taking into account the Issuer's view on any potential impact on relationships with third parties, reasonably requests the Issuer to do so);

- any assets subject to legal requirements, licenses or any other third-party arrangements (including, without limitation, any trade receivables) which may prevent those assets from being charged (or assets which, if charged, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Group in respect of those assets or require any member of the Group to take any action materially adverse to the interests of the Group or any member thereof) will be excluded from any relevant Security Document provided that, if the relevant asset is material and the Issuer determines (acting in good faith) that such endeavors will not jeopardize commercial relationships with third parties, the relevant member of the Group will use commercially reasonable endeavors to obtain any necessary consent or waiver; provided that, notwithstanding the foregoing, no security shall be required over (and no consent or waiver request submitted with respect to) assets which are required to support indebtedness assumed in connection with an acquisition to the extent permitted by the terms of

the Notes Documents to remain outstanding following an acquisition ("Assumed Acquisition Indebtedness") and no member of the target group acquired pursuant to an acquisition where Assumed Acquisition Indebtedness remains outstanding following completion of such permitted acquisition shall be required to become a Guarantor or grant security with respect to the Notes Documents if prevented by the terms of the documentation governing such Assumed Acquisition Indebtedness;

- members of the Group will not be required to give Guarantees or enter into Security Documents if it is not within the legal capacity of the relevant members of the Group or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, bona fide contractual restriction or regulatory condition or result in (or in a material risk of) personal or criminal liability on the part of any Officer or result in any significant risk of legal liability for the directors of any Group company, provided that the relevant member of the Group shall use reasonable endeavours to overcome such obstacle;
- additional guarantee limitation provisions may be included in any supplemental indenture if required by any Officer of any member of the Group in connection with the granting of a Guarantee in order to protect that Officer from potential liability or other legal risk;
- the terms of the security should not be such that they materially restrict the running of the business of or materially adversely affect the tax arrangements of the relevant member of the Group in the ordinary course as otherwise permitted by the Notes Documents;
- perfection of security, when required, and other legal formalities will be completed as soon as practicable and, in any event, within the time periods specified in the Notes Documents therefor or (if earlier or to the extent no such time periods are specified in the Notes Documents) within the time periods specified by applicable law in order to ensure due perfection. The giving of guarantee, the granting of security or the perfection of security interests granted will not be required if it would have a material adverse effect on the ability of the relevant Guarantor to conduct its operations and business in the ordinary course as otherwise permitted by the Notes Documents; (and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this paragraph);
- access to the assets of a Guarantor and the maximum guaranteed or secured amount may be restricted or limited to minimize stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit of increasing the Guarantee or secured amount is disproportionate to the level of such fees, taxes and duties (and in any event the maximum aggregate amount payable by the Group in respect of fees, costs, expenses, disbursements and VAT relating to the provision of guarantees and security shall be limited to an amount to be agreed between the security agent and the Issuer);
- other than in respect of any perfection action required to be made in respect of security over material intellectual property in accordance with the Security Documents no perfection action will be required in jurisdictions where the Issuer or a Guarantor is not located; *provided, however,* that perfection actions may be required in the jurisdiction of one Guarantor in relation to security granted by another Guarantor in a different jurisdiction;
- guarantee and security will not be required from or over, or over the assets of, any joint venture or similar arrangement or any minority interest;
- where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only;
- any member of the Group which is not (directly or indirectly) a wholly owned Subsidiary of the Issuer (a "Non-Wholly Owned Subsidiary") shall not be required to become a Guarantor to the extent the Issuer is unable to procure (after using its reasonable commercial endeavors) that any such person becomes a Guarantor hereunder due to the opposition of the minority shareholders and financial assistance restrictions;
- no security shall be required to be given to the extent to do so, in the case of a Non-Wholly Owned Subsidiary, would breach any restriction contained in a shareholders' agreement and all reasonable steps have been taken to avoid or remove that restriction and in any event security shall only be granted, subject to the other provisions of the Agreed Security Principles over the shares in a Non-Wholly Owned Subsidiary which are owned by the relevant member of the Group;
- no security (other than floating security) will be taken over fixed assets, parts, stock, moveable plant or equipment;
- no security will be required over hedging agreements;
- no Guarantee or security shall Guarantee or secure any "Excluded Swap Obligations" defined in accordance with the LSTA Market Advisory Update dated February 15, 2013 entitled "Swap Regulations' Implications for Loan Documentation", and any update thereto by the LSTA;

- any Security Document shall only be required to be notarized or notarially certified if required by law in order for the relevant security to become effective or admissible in evidence or for the document to bear a "certified date" as a matter of Italian law;
- no security may be provided on terms which are inconsistent with the turnover or sharing provisions in the Intercreditor Agreement;
- no title investigations or other diligence on assets will be required and no title insurance will be required; and
- no member of the Group will be required to create security over or otherwise encumber any Restricted Asset (including, without limitation, any bank accounts which contain or are reasonably likely to contain any Restricted Assets).

For the purposes of this paragraph, "Restricted Asset" means:

(i) the regulatory capital that a regulated entity is required to maintain pursuant to any applicable law or regulation or the views, guidance or interpretation of any relevant regulator;

(ii) the settlement cash balances of that regulated entity and any other cash held by or on behalf of that regulated entity for merchants, card schemes, cardholders of any card scheme, banks, financial institutions or other similar entity or person;

(iii) any amounts held by or on behalf of that regulated entity in segregated funds under the Payment Services Directive (PSD, 2007/64/EC) (or any relevant local implementing regulation or legislation) for merchants or other payment service users or payment service providers or card schemes, cardholders of any card scheme, banks, financial institutions or other similar entity or person;

(iv) any sums receivable by or on behalf of that regulated entity from or under any card scheme, bank, financial institution or other similar entity or person for onward transmission or remittance to a merchant;

(v) any sums receivable by or on behalf of that regulated entity from a merchant for onward transmission or remittance to a card scheme bank, financial institution or other similar entity or person; and

(vi) any right, title or interest of that regulated entity in or under any letter of credit, guarantee, cash collateral or other financial support or security provided by a bank, financial institution or other similar entity (or an affiliate thereof) for its account to any card scheme counterparty.

As described above, all of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that the lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes. See "—Priority" below. See also, "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Creditors under the New Revolving Credit Facility, certain hedging liabilities and certain debt that we may incur in the future will be entitled to be repaid with the proceeds of the Notes Collateral sold in any enforcement sale in priority to the Notes". The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The proceeds from the enforcement of the Notes Collateral may not be sufficient to satisfy the obligations under the Notes".

Priority

The relative priority with regard to the security interest in the Collateral that is created by the Security Documents (the "Security Interest") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations and (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Revolving Credit Facility, and such Hedging Obligations, which provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility Agreement and such Hedging Obligations and any future Indebtedness permitted to be secured on a super priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied.

See "Description of Other Indebtedness—Intercreditor Agreement". In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "—Release of Liens", "—Certain Covenants—Impairment of Security Interest" and "—Certain Definitions—Permitted Collateral Liens".

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure the payment when due of the Issuer's payment obligations under the Notes and the Indenture. The Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent, the Trustee acting for itself and in its capacity as the Trustee, under the Indenture, as Security Representative and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee (including as Security Representative) and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee (including as Security Representative) under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent for the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain hedging agreements in relation to the Security Interest in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured prior to the Post-Completion Merger, by Security Interests in the Pre-Merger Collateral and following the Post-Completion Merger, by Security Interests in the Post-Merger Collateral until all obligations under the Notes, the Indenture and the Proceeds Loans have been discharged. However, please see the section entitled "Risk Factors—Risks Related to the Notes". The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in "Risk Factors—Risks Related to the Notes in General" and "Certain Italian Insolvency Law Considerations and Certain Other Italian Law Considerations, including on Limitations on Security Interests".

The Security Documents will provide that the rights under the Security Documents and the Indenture must be exercised by the Security Agent. The Holders may only act through the Trustee (including as Security Representative), who will instruct the Security Agent in accordance with the terms of the Indenture.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interest created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interest or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral".

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. These limitations are described under "Description of Other Indebtedness—Intercreditor Agreement" and "Certain Italian Insolvency Law Considerations and Certain Other Italian Law Considerations, including on Limitations on Security Interests". The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee (including as Security Representative) have, and by accepting a Note, each Holder will be deemed to have, appointed, also for the purposes of Article 1704 (*Mandato con rappresentanza*) the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "Description of Other Indebtedness—Intercreditor Agreement".

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;

(3) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. also as common representative (*rappresentate comune*) of the Noteholder pursuant to articles 2417 and 2418 of the Italian Civil Code;

(4) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as representative (*rappresentante*) of the Noteholders for the purposes of Article 2414-bis, third paragraph of the Italian Civil Code;

(5) agreed and acknowledged that the Security Agent will administer the Transaction Security in accordance with the Intercreditor Agreement; and

(6) appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled "Risk Factors—Risks Related to the Notes—The holders of the Notes may not control certain decisions regarding the Collateral" and "Description of Other Indebtedness—Intercreditor Agreement".

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "—Certain Covenants—Additional Intercreditor Agreements".

Release of Liens

The Issuer, its Subsidiaries and any provider of Collateral will be entitled to the release of the Security Interest in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) a Person that is not a Parent or a Restricted Subsidiary (but excluding any transaction subject to "—Certain Covenants—Merger and Consolidation"), if such sale or other disposition does not violate the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary *provided* that this clause 1(b) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable to a Restricted Subsidiary (except to a Receivables Subsidiary) unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal;

(2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "—Amendments and Waivers";

(4) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in "—Defeasance" and "—Satisfaction and Discharge";

(5) in connection with the Post-Completion Merger, *provided* that subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, first-priority security interests are granted in favor of the Notes on an equal and ratable first-priority basis over the Capital Stock of MergerCo;

(6) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(7) only with respect to the Security Interests in respect of the entire Capital Stock of the Issuer, within a reasonable time to facilitate an Initial Public Offering in which the Issuer is the IPO Entity; provided that such Security Interests so released shall be promptly granted in favor of the Notes in the event that the Initial Public Offering does not complete for any reason;

(8) in connection with a Permitted Reorganization;

(9) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interest created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "—Certain Covenants—Impairment of Security Interest".

At the request of the Issuer, the Security Agent and the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

Optional Redemption

Except as described below and except as described under "Redemption for Taxation Reasons", the Fixed Rate Notes are not redeemable until July 31, 2019. On and after July 31, 2019 the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on July 31 of the years indicated below:

Year	Redemption Price
2019	103.500%
2020	101.750%
2021 and thereafter	100.000%

Except as described below and except as described under "Redemption for Taxation Reasons", the Floating Rate Notes are not redeemable until July 31, 2017. On and after July 31, 2017 the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on July 31 of the years indicated below:

Year	Redemption Price
2017	101.000%
2018 and thereafter	100.000%

Prior to July 31, 2019, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes (including the principal amount of any Additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the "Redemption Amount") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 107.00% of the principal amount of the Fixed Rate Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of the Fixed Rate Notes (including the principal amount of any Additional Fixed Rate Notes) remains outstanding immediately after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to July 31, 2019, in the case of the Fixed Rate Notes and July 31, 2017 in the case of the Floating Rate Notes, the Issuer may redeem all or, from time to time, a part of each of the Fixed Rate Notes and the Floating Rate Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes or 100% of the principal amount of the Floating Rate Notes, as the case may be, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "—Selection and Notice" below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such

optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

Sinking Fund

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On July 31, 2023 in the case of the Fixed Rate Notes and July 31, 2022 in the case of the Floating Rate Notes, the Issuer will redeem the Fixed Rate Notes and Floating Rate Notes, as the case may be, that have not been previously redeemed or purchased and canceled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all of any series of Notes is to be redeemed at any time, the Principal Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which that series of Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Definitive Registered Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Principal Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. While in global form, notices to Holders may be delivered via Euroclear and Clearstream in lieu of notice via registered mail. Such notice of redemption may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange are complied with.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem any series of Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the relevant series of Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "Withholding Taxes"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

a Payor (as defined below) is, or on the next interest payment date in respect of the relevant series of Notes would be, required to pay Additional Amounts with respect to such series of Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts) and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "Selection and Notice". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of any series of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (each, a "Payor") in respect of the Notes or with respect to any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwiser considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "Relevant Taxing Jurisdiction"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received by each Holder in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder;

(4) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the European Council Directive 2003/48/EC, or any other directive implementing the conclusions of the ECOFIN meeting of 26 and 27 November 2000 regarding the taxation of savings income, or any law implementing, or complying with, or introduced in order to conform to, any such directive;

(7) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union; or

(8) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("Legislative Decree No. 239")) and any related implementing regulations; *provided* that:

  (i) Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Payor or their agents; and

  (ii) for the avoidance of doubt, no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the Holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of the ministerial Decree to be issued under art. 11 par .4 lot c) of Decree 239, as subsequently amended or superseded, of a new list of countries which allow for a satisfactory exchange of information with Italy, whereby such Holders country of residence does not appear on the new list;

(9) any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy (white list);

(10) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), as of the Issue Date (or any amended or successor version of such sections that are substantively comparable), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(11) any combination of the items (1) through (10) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies, or if, notwithstanding the Payor's reasonable efforts to obtain such tax receipts, such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Guarantee, at least 45 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 30 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "Description of the Notes" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay (and will indemnify the Holder for) any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest, penalties or additions to tax) or any other excise, property or similar taxes or similar charges or levies (including any related interest, penalties or additions to tax) that arise in a Relevant Taxing Jurisdiction from the execution, delivery or registration of any Notes, any Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this Offering) or the receipt of any payments with respect thereto or any such taxes or similar charges or levies (including any related interest, penalties or additions to tax) imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes or any Guarantee (limited, solely in the case of any such taxes or similar charges or levies attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) and (5) through (10) or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "Change of Control", each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase any series of Notes as described under this heading, "Change of Control", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series as described under "—Optional Redemption" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "—Optional Redemption" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "Change of Control Offer") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the "Change of Control Payment Date");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*".

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than (x) 4.0 to 1.0, if the date of such incurrence is prior to the date that is 12 months after the Completion Date, or (y) 3.75 to 1.0, if the date of such incurrence is on or after the date that is 12 months after the Completion Date.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("Permitted Debt"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (i) €125.0 million and (ii) 65% of Consolidated EBITDA, *plus* (iii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under "—Limitation on Liens", Indebtedness arising by reason of any Lien granted by or applicable to any Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) in the case of Indebtedness owing to and held by any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with cash management positions of the Issuer and its Restricted Subsidiaries), such Indebtedness shall be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, and the respective Guarantee, in the case of a Guarantor to the extent required by the Intercreditor Agreement; and

(b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) outstanding on the Issue Date, the related Guarantees, and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness Incurred under the Revolving Credit Facility and Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date, (c) any other Indebtedness of Target Group outstanding on the Completion Date after giving effect to the Transactions (as described under "Use of Proceeds" in this Offering Memorandum); (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (e) Management Advances, (f) any loan or other instrument contributing the proceeds of the Notes and (g) any loan or other instrument contributing the proceeds of any Indebtedness Incurred in accordance with the Indenture, including any Additional Proceeds Loans;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided*, *however*, with respect to this clause (5), that at the time of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such

Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of 25% of Consolidated EBITDA or €50.0 million; so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of 45% of Consolidated EBITDA or €85.0 million;

(12) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt

Contribution, the Equity Contribution, Excluded Amounts or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Equity Contribution, Excluded Amounts or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; provided, however, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under "Certain Covenants—Limitation on Restricted Payments" to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under "—Certain Covenants—Limitation on Restricted Payments" in reliance thereon;

(14) Indebtedness in connection with Investments in Associates not exceeding, at any time outstanding, €10.0 million;

(15) Indebtedness under daylight borrowing facilities incurred in connection with Refinancing Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred; and

(16) Indebtedness under local Credit Facilities in an aggregate principal amount not to exceed, at any one time outstanding, the greater of 10% of Consolidated EBITDA or €20.0 million

Notwithstanding the foregoing, the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clause (11) of the second paragraph of this covenant at any time outstanding shall not exceed the greater of €50.0 million and 25% of Consolidated EBITDA at any time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Completion Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (16) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) for the purposes of determining "Consolidated EBITDA" (x) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and (y) in relation to clause (1)(ii) of the second paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available; and

(8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of

the covenant described under this "—Limitation on Indebtedness". Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "—Limitation on Indebtedness", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee, if any, on substantially identical terms; *provided, however,* that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other

acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—Limitation on Indebtedness");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Restricted Payment"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—Limitation on Indebtedness" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (9), (10), (11), (15), (17) and (18) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Completion Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (v) the Equity Contribution, (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (v) the Equity Contribution, (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions;

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or

any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

provided , *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

Notwithstanding the foregoing, any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clause (ii) or (iii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose and effect of the receipt of such Net Cash Proceeds or property or assets or marketable securities was to repay indebtedness to reduce the Consolidated Net Leverage Ratio of the Issuer so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in accordance with the requirements of the Indenture.

The fair market value of property or assets other than cash covered by the preceding two sentences shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds the greater of (i) 15% of Consolidated EBITDA and €30.0 million, by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock, Designated Preference Shares or Excluded Amounts), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or Parent Debt Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "—Limitation on Sales of Assets and Subsidiary Stock" below, but only if the Issuer shall have first complied with the terms described under "—Limitation on Sales of Assets and Subsidiary Stock" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "—Change of Control" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €7.5 million, plus €3.5 million multiplied by the number of calendar years that have commenced since the Issue Date, plus (2) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (2), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), plus (3) the Net Cash Proceeds of any key man life insurance policies, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—Limitation on Indebtedness";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

  (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

  (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "—Limitation on Affiliate Transactions";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.5 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of 20% of Consolidated EBITDA and €40.0 million;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) dividends or other distributions in amounts required for a direct or indirect parent of the Issuer to pay interest on Indebtedness the proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been Guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "—Limitation on Indebtedness"; and

(18) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio does not exceed 3.25 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For the purposes of calculating "Consolidated EBITDA" pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "—Security—Release of Liens".

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility), (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or (c) any other agreement or instrument with respect to the Target Group, in each case, in effect at or entered into on the Completion Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under "—Merger and Consolidation"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

  (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

  (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

  (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—Limitation on Indebtedness" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated

therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or where the Issuer determines that such encumbrance or restriction will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "—Limitation on Liens".

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Debt), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (D) or (F) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Debt (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of 10% of Consolidated EBITDA and €20.0 million (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 360 days (or 540 days in the circumstances described in clause (H) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(A) (i) prepay, repay, purchase or redeem any Indebtedness incurred under clause (1) of the second paragraph of the covenant described under "—Limitation on Indebtedness" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (A)(i), prepay, repay, purchase or redeem Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount

of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(B) purchase any series of Notes pursuant to an offer to all Holders of such series of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or redeem any series of Notes pursuant to the redemption provisions of the Indenture or by making an Asset Disposition Offer to all Holders of the Notes (in accordance with the procedures set out below);

(C) invest in any Replacement Assets;

(D) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(E) make a capital expenditure;

(F) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(G) consummate any combination of the foregoing; or

(H) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (A), (C), (D), (E) or (F) of this paragraph or a combination thereof, *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date,

provided, *however*, if the assets disposed of constitute Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Collateral, subject to the Agreed Security Principles, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets (to the extent such assets were of a category of assets included in the Collateral as of the Issue Date) referred to in this covenant in favor of the Notes on a first-ranking basis.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "Excess Proceeds". Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 361st day (or the 541st day if a binding commitment as described in clause (H) is entered into) after an Asset Disposition, or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("Asset Disposition Offer") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of the Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be repaid or purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "Affiliate Transaction") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €20.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments", any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "—Limitations on Restricted Payments") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Completion Date or described in "*Certain Relationships and Related Party Transactions*" in the Offering Memorandum , as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €2.0 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) investments by any of the Investors in securities of any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of the Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities;

(14) any transaction effected as part of a Qualified Receivables Financing; and

(15) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2016, annual reports containing, to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the Acquisition and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, material affiliate transactions; and a description of all material debt instruments, (v) a description of material operational risk factors and material subsequent events; and (vi) consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of the first and third fiscal quarters in each fiscal year of the Issuer (or 75 days for the quarters ending June 30, 2016 and September 30, 2016) and within 75 days for the second fiscal quarter in each fiscal year of the Issuer, quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (other than the Acquisition and *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries (other than the Acquisition), taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, by posting such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent (i) consolidated financial information or (ii) comparable prior period financial information of the Issuer does not exist, the (i) consolidated financial information or (ii) the comparable period financial information of the Target Group may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent. To the extent that material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Parent that is the reporting entity, the annual and quarterly reports shall include an explanation and an unaudited reconciliation of such material differences.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports to Holders*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "Reports" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of any member state of the European Union, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—Limitation on Indebtedness" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "—Limitation on Indebtedness".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "Merger and Consolidation" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "—Limitation on Sales of Assets and Subsidiary Stock" or (ii) the creation of a new subsidiary as a Restricted Subsidiary.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

(A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this "Merger and Consolidation" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or directions of, or agreement with, any regulatory authority having jurisdiction over the Issuer or any of its Restricted Subsidiaries; (iv) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "—Issuer" shall apply to such transaction; (v) the Post-Completion Merger and (vi) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading "—The Issuer" or clauses (3)(A) and (3)(B) under the heading "—The Guarantors", as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such

time, if any, at which the Notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "—Limitation on Restricted Payments";

(2) "—Limitation on Indebtedness";

(3) "—Limitation on Restrictions on Distributions from Restricted Subsidiaries";

(4) "—Limitation on Affiliate Transactions";

(5) "—Additional Guarantees";

(6) "—Limitation on Sales of Assets and Subsidiary Stock"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "—Merger and Consolidation",

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "Limitation on Restricted Payments" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "—Limitation on Indebtedness". In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and may effect a Permitted Reorganization and the Collateral may be discharged and released and retaken, if applicable, in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided*, *however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or pari passu with such Restricted Subsidiary's guarantee of such other Indebtedness; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary.

Future Guarantees granted pursuant to this provision shall be released as set forth under "—Releases of the Guarantees". A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "Risk Factors".

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness permitted pursuant to the covenant described under "—Limitation on Indebtedness", the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "Additional Intercreditor Agreement") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "Amendments and Waivers" or as permitted by the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the

opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "—Limitation on Restricted Payments".

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the listing agent.

Cancellation of Treasury Shares

On or prior the 30th day following the Completion Date, the Issuer shall cause Sisal Group to cancel its treasury shares, if any.

Completion of Post-Completion Merger

The Issuer shall use, and shall cause Sisal Group to use, reasonable best efforts to implement the Post-Completion Merger on terms complying with Section 2501-bis (et seq.) of the Italian Civil Code as soon as possible following Completion. Promptly following the completion of the Post-Completion Merger, the Issuer shall, and shall cause (to the extent necessary) Sisal Group to deliver to the Trustee each of the Merger Condition Precedent Documents in connection with the consummation of the Post-Completion Merger.

Subject to compliance with the covenant under "—Merger and Consolidation" and the Indenture generally, the Indenture will provide that each holder of the Notes, by accepting a Note will be deemed to agree, for the purposes of Section 2503-bis (et seq.) of the Italian Civil Code, to the consummation of the Post-Completion Merger and the assumption by MergerCo of all obligations of the Issuer in respect of the Notes, the Indenture, the Intercreditor Agreement and the Security Documents in accordance with the terms of the Indenture upon completion of the Post-Completion Merger.

Limitation on Activities prior to the Completion Date

Prior to the Completion Date, the Issuer will not and will not permit any of its Restricted Subsidiaries to, engage in any business activities or undertake any other activity, except that activity (i) reasonably relating to the Acquisition, the Transactions and any related document (including without limitation, the Notes, the Indenture, the Revolving Credit Facility, the Proceeds Loans, the Escrow Agreement, the Shortfall Agreement, the Security Documents, and the Intercreditor Agreement; (ii) undertaken with the purpose of fulfilling any other obligations relating to the Acquisition, the Transactions and any related document (including without limitation the Notes, the Indenture, the Revolving Credit Facility, the Proceeds Loans, the Escrow Agreement, the Shortfall Agreement, the Security Documents, or the Intercreditor Agreement), (iii) the establishment of the Issuer; and (iv) other activities not specifically enumerated above that are de minimis in nature.

Prior to completion of the Post-Completion Merger, any Indebtedness Incurred subsequent to the Issue Date by the Issuer which is on-lent to any Restricted Subsidiary shall be pledged to secure the Notes on a first-ranking basis (subject to the Agreed Security Principles).

Financial Calculations for Limited Condition Acquisitions.

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a pro forma basis after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition

Acquisition or related transactions; *provided*, further, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

   (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("payment default"); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision"),

   and, in each case, either (i) the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25.0 million or more or (ii) to the extent any such Indebtedness is incurred pursuant to clause (1) or (6) of the second paragraph of the "—Limitation on Indebtedness" covenant and secured by Collateral that is granted the benefit of super senior priority rights on the proceeds of enforcement of Collateral under the Intercreditor Agreement, upon any instruction by an instructing group to commence enforcement of the Collateral in accordance with the terms thereof;

(5) certain events of bankruptcy, insolvency or court protection of the Parent Obligor, Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "judgment default provision");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €25.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days;

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days; and

(9) failure by the Issuer or MergerCo or any of their respective Restricted Subsidiaries to comply with its obligations under the Indenture to confirm (if needed) the Post-Merger Collateral as described above under the caption "—Security—General" and such Default continues for 30 days.

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events

of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "—Reports" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes affected, then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "—Optional Redemption";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "Withholding Taxes" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor agreement;

(12) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence,

provided, *however*, that if such amendment or waiver described in clauses (2), (3) and (4) above only affects or would only affect Holders of the Fixed Rate Notes or the Floating Rate Notes, and does not or would not affect Holders of the Notes generally, only the consent of Holders of not less than 75 % of the then outstanding principal amount of Fixed Rate Notes or Floating Rate Notes, respectively, shall be required.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "Certain Covenants—Limitation on Indebtedness" or "Certain Covenants—Additional Guarantees", to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "—Certain Covenants—Impairment of Security Interest" is complied with; or

(10) as provided in "—Certain Covenants—Additional Intercreditor Agreements".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Meeting of Holders of Notes

All meetings of Holders of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "—Amendments and Waivers", in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the

convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent Holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided, however*, that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "—Amendments and Waivers", and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See "Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the outstanding Notes". Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meeting of Holders of Notes*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendments and Waivers*". As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meeting of Holders of Notes*" must also comply with the other provisions described under "*—Amendments and Waivers*".

Security Representative and Noteholders' Representative

On or about the Issue Date, the Initial Holders will appoint The Law Debenture Trust Corporation p.l.c., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "Security Representative") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the "Noteholders' Representative") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three years but may be reappointed again thereafter.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes and the Indenture ("legal defeasance") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "Certain Covenants" (other than clauses (1) and (2) of "—Certain Covenants—Merger and Consolidation") and "Change of Control" and the default provisions relating to such covenants described under "Events of Default" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "Events of Default" above ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "—Certain Covenants—Merger and Consolidation"), (4), (5) (with respect only to the Issuer and Significant Subsidiaries), (6), (7) or (8) under "Events of Default" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Principal Paying Agent for cancellation; or (b) all Notes not previously delivered to the Principal Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Principal Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Principal Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee is aware, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes of the Issuer will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may also be published on the website of the Luxembourg Stock Exchange *(www.bourse.lu*) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange allow.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. For so long as any Notes are represented by Global Notes, notices to Holders of the Notes may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors, if any, will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors, if any, will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all the assets of the Issuer are located outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition of the Target Group by the Issuer pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the sale and purchase agreement dated as of May 27, 2016, by and among Schumann Investments Holdings S.à r.l. and Gaming Invest S.à r.l.

"*Additional Proceeds Loan*" means any loan made by the Issuer to Sisal Group and its Restricted Subsidiaries prior to the Merger Date with the proceeds of Indebtedness incurred by the Issuer in accordance with the Indenture.

"*ADM*" means the *Agenzie delle Dogane e dei Monopoli,* formerly the *Amministrazione Autonoma dei Monopoli di Stato*, the Italian gaming regulatory authority.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Securities Principles*" means the agreed security principles appended to the Revolving Credit Facility, as of the Completion Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Note the greater of:

(a) 1% of the principal amount of such Note; and

(b) (i) with respect to any Fixed Rate Note, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Fixed Rate Note at July 31, 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Fixed Rate Note to and including July 31, 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(B) the outstanding principal amount of such Fixed Rate Note, and

(ii) with respect to any Floating Rate Note, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Floating Rate Note at July 31, 2017 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Floating Rate Note to and including July 31, 2017 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points and assuming that the rate of interest on the Floating Rate Notes for the period from the redemption date through July 31, 2017 will equal the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over

(B) the outstanding principal amount of such Floating Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, the Calculation Agent, or any Paying Agent or Registrar.

" *Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "—Certain Covenants—Merger and Consolidation" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than €15.0 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—Certain Covenants—Limitation on Restricted Payments" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "—Certain Covenants—Limitation on Liens";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided*, *however*, that the Board of Directors shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (19), does not exceed €20.0 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Redeemable Capital Stock that is permitted by the covenant described above under "—Limitation on Indebtedness" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "—Limitation on Sales of Assets and Subsidiary Stock" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised pursuant by the Board of Directors of a Restricted Subsidiary or a Parent pursuant to a delegation of powers of the Board of Directors of the Issuer.

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to July 31, 2019 in the case of the Fixed Rate Notes or July 31, 2017 in the case of the Floating Rate Notes; *provided, however*, that if the period from the redemption date to July 31, 2019 in the case of the Fixed Rate Notes or July 31, 2017 in the case of the Floating Rate Notes is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to July 31, 2019 in the case of the Fixed Rate Notes or July 31, 2017 in the case of the Floating Rate Notes is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "Deposit) or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to the Revolving Credit Facility or by any bank or trust company (a) if at any time since January 1, 2007 the Issuer or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) Deposits in connection with the gaming or payment services business of the Issuer or its Subsidiaries in the ordinary course of business and consistent with past practice issued by a bank or a trust company organized, or authorized to operate as a bank or trust company, under the laws of any state of the United States of America, any province of Canada, any member of a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof;

(4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(5) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(6) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(7) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(8) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(9) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (8) above; and

(10) for purposes of clause (2) of the definition of "Asset Disposition", the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date and by the Target Group on the Completion Date.

" *Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group of related persons" is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

"*Clearstream* " means Clearstream Banking, *société anonyme,* as currently in effect or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and the Completion Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "—Certain Covenants—Limitation on Affiliate Transactions";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; and

(12) Fines, penalties or similar amounts owed or paid to ADM, other regulators or authorities or pursuant to court orders, judgments or decisions (excluding, for the avoidance of doubt, any taxes paid to ADM or similar authorities in the ordinary course of business)

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

" *Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount but excluding amortization of debt issuance costs, fees and expenses and the expensing of any finance costs;

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS and (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross up on any Indebtedness included in interest expense under IFRS. Consolidated Interest Expense shall not include any interest expenses relating to Subordinated Shareholder Funding.

" *Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments", any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility and the Intercreditor Agreement) and contractual restrictions in effect on the Completion Date with respect to the Target Group, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date or the Completion Date, as applicable, and (d) restrictions specified in clause (11) of the fourth paragraph of the covenant described under "—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries", except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "—Certain Covenants—Limitation on Restricted Payments";

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein

recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring or incurrence of Indebtedness involving the Issuer or its Restricted Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) less cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries (excluding Restricted Cash Accounts), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "Calculation Date"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that (other than in connection with making any Restricted Payment pursuant to clause (18) of the fourth paragraph of the covenant described under "Certain Covenants—Limitation on Restricted Payments") the *pro forma* calculation shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "—Limitation on Indebtedness" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "—Limitation on Indebtedness".

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, a "Purchase") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including anticipated synergies and cost savings) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated expense and cost reduction synergies resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated

Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness, and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS; and

(7) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any cost savings, reductions or synergies already included for such period.

For the purposes of the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, calculations will be determined in accordance with the terms set forth above.

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries (excluding Restricted Cash Accounts), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors

thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock".

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments".

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain Covenants—Restricted Payments". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" has the meaning given to such term in "The Transactions".

"*Equity Offering*" means (x) a sale of Capital Stock of a Parent, the Issuer or a Restricted Subsidiary (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions and other than offerings to the Issuer or any Restricted Subsidiary), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or a Restricted Subsidiary), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or an Officer of the Issuer) on the date of such determination.

"*Euroclear* " means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or an Excluded Amount) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "Description of the Notes" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "Description of the Notes" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under "—Certain Covenants—Limitation on Indebtedness" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph of the covenant described above under "—Certain Covenants—Limitation on Indebtedness".

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments (each, a "Purchase") that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reductions and synergies, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including anticipated synergies and cost savings) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS; and

(8) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by a responsible accounting or financial Officer) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, provided such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any costs savings, reductions or synergies already included for the period.

" *Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Issuer or a Restricted Subsidiary.

" *Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor* " means (i) within 90 days following the Completion Date and prior to the Post-Completion Merger, Sisal Group S.p.A., Sisal S.p.A. and Sisal Entertainment S.p.A., (ii) following the Post-Completion Merger, Sisal S.p.A. and Sisal Entertainment S.p.A. and (iii) any other Restricted Subsidiary that Guarantees the Notes from time to time.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder* " means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) ("IFRS") endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

" *Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, or (v) any asset retirement obligations.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or

(4) deferred payments or similar amounts owed in respect of gaming taxes or concessions (including Guarantees in respect thereof that would not appear on the balance sheet of such person (excluding any notes thereto)) or any other payment obligation owed by the Issuer or any Restricted Subsidiary pursuant to any law, regulation or agreement under which a percentage of the income of, or any other amounts relating to, any gross revenue or turnover or betting amounts must be paid out to a third party.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means funds or limited partnerships managed or advised by Affiliates of CVC Capital Partners Advisory Company (Luxembourg) Sarl and subsidiaries of and investors in those funds and limited partnerships (but excluding, in each case, any portfolio companies in which such funds or limited partnerships hold an investment and excluding CVC Credit Partners Group Holding Foundation and its direct and indirect Subsidiaries) who are investors in such funds or partnerships as at the Completion Date, CVC Capital Partners Advisory Company (Luxembourg) Sarl and its Affiliates and CVC Capital Partners SICAV-FIS S.A. and its subsidiaries.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, UniCredit Bank AG, Milan Branch, as RCF Agent, the Security Agent and the Trustee, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment* " means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments".

For purposes of "—Certain Covenants—Limitation on Restricted Payments":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

" *Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

" *Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Entity*" has the meaning given it in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means July 28, 2016.

"*Issuer*" means Schumann S.p.A. and, subsequent to the Post-Completion Merger, MergerCo, or any other Successor Company in accordance with the Indenture.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of its Restricted Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated EBITDA, other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition and the related transactions, shall not include any Consolidated EBITDA of or attributable to the target company or assets involved in any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

" *Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €7.5 million in the aggregate outstanding at any time.

"*Management Investors"* means (i) members of the management team of the Issuer or its Subsidiaries who subsequently invest directly or indirectly in the Issuer from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Issuer or its Subsidiaries for future redistribution to the management team of the Issuer or its Subsidiaries. For the avoidance of doubt, the expression "management team" shall include, but not be limited to, any managers, officers and (executive and non-executive) directors of the Target Group.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Merger Condition Precedent Documents*" means (1) an excerpt issued by the registry of companies (*registro delle imprese*) of the place of incorporation of the Issuer, showing that the deed of merger (*atto di fusione*) relating to the Post-Completion Merger has been duly filed with and recorded into the same registry; and (2) a certified true copy (*copia autenticata*) of the shareholders resolutions passed by each of the Issuer and Sisal Group to approve the Post-Completion Merger, showing that the Post-Completion Merger will be effective (*efficace*) as from the date referred to under article 2504-bis, second paragraph, first sentence, of the Italian Civil Code.

"*Merger Date*" means the date upon which the Post-Completion Merger is to be effected between the Issuer and Sisal Group, as described under "The Transactions".

"*Moody's* " means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

" *Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds",* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer* " means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person. The obligations of an "Officer of the Issuer" may be exercised by the Officer of any Restricted Subsidiary who has been delegated such authority by the Board of Directors of the Issuer.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent* " means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Debt Contribution*" means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (17) of the fourth paragraph under *"—Limitation on Restricted Payments."*

" *Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports

filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €3.0 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes provided, however, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries; and

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness:

(a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

(b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

(c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent Obligor*" means as of the Issue Date, Schumann Investments S.A. and its successors and assigns and following a Permitted Parent Reorganization, shall mean New Holdco.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union (excluding Greece).

" *Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (8), (9), (11), (12), (14), (18), (20),(23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;

(b) to secure:

(i) the Notes (including any Additional Notes);

(ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(iii) Indebtedness described under clause (1) of "—Permitted Debt", which Indebtedness may have super seniority priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(iv) Indebtedness described under clause (2) of "—Permitted Debt", to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(v) Indebtedness described under paragraphs (b), (c), (f) and (g) of clause (4) of "—Permitted Debt";

(vi) Indebtedness described under clause (5) of "—Permitted Debt" Incurred by the Issuer or a Guarantor, *provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness is Incurred and after giving *pro forma* effect to the Incurrence of such Indebtedness and the application of the proceeds thereof, (a) the Issuer would have been able to Incur €1.00 of Senior Secured Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Net Leverage Ratio would have been no greater than it was prior to giving *pro forma* effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof;

(vii) Indebtedness described under clause (6) of "—Permitted Debt" which Indebtedness may have super senior priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(viii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of "—Permitted Debt";

(ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii); and

(c) Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €5 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business) and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clause (1) or (2), (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (4) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies held by such group. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances and any advances or loans not to exceed €7.5 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent of the Issuer;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date (or the Completion Date with respect to the Target Group), and any extension, modification or renewal of any such Investment; provided that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date (or the Completion Date with respect to the Target Group) or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "—Certain Covenants—Limitation on Indebtedness";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 20% of Consolidated EBITDA and €40.0 million; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "—Certain Covenants—Limitation on Restricted Payments", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—Certain Covenants—Limitation on Liens";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Affiliate Transactions" (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "—Certain Covenants—Limitation on Indebtedness" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) loans or advances to gaming machine site owners or gaming machine sub-operators in the ordinary course of business;

(17) Investments in Associates in an aggregate amount when taken together with all other Investments made pursuant to this clause (17) that are at any time outstanding not to exceed €25.0 million; provided that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the Indenture, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(18) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes;

(19) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation; and

(20) Investments in licenses, concessions, authorizations, franchises, permits or similar arrangements that are related to the Issuer's or any Restricted Subsidiary's business.

" *Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government

contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmens' and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under "—Certain Covenants—Limitation on Indebtedness" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens (a) existing on, or provided for or required to be granted under written agreements existing on, the Issue Date or (b) with respect to the Target Group existing on, or provided for or required to be granted under written agreements existing on, the Completion Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, however, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(22) Liens on rights under any Additional Proceeds Loan that are assigned to the third party creditors of the Indebtedness incurred by the Issuer to finance such Additional Proceeds Loan and incurred in accordance with clause (4) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(23) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(27) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to the Revolving Credit Facility, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness under clause (1) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes;

(29) Liens on the Escrow Accounts created for the benefit of, or to secure, directly or indirectly, the Notes;

(30) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed €30.0 million;

(31) Liens on (a) Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(32) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures; and

(33) Liens on assets or property of a Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary permitted by clause (16) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness".

"*Permitted Reorganization*" means any Permitted Subsidiary Reorganization or Permitted Parent Reorganization.

"*Permitted Parent Reorganization*" means a reorganization transaction comprising the incorporation of a new direct Parent of the Issuer ("*New Holdco*") and the transfer of the Capital Stock or receivables of the Issuer held by the Parent Obligor to New Holdco; provided that (1) New Holdco shall be a person organized and existing under a Permissible Jurisdiction; (2) New Holdco will acquire the Capital Stock and receivables of the Issuer held by the Parent Obligor and shall have entered into a confirmation deed or similar instrument confirming the first-priority pledge of such Capital Stock and receivables in favor of the Holders of the Notes and assuming all relevant obligations of the Parent Obligor under any Security Document and the Intercreditor Agreement and granting, if relevant, a first-priority pledge over any intercompany receivables payable by the Issuer to New Holdco, (3) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Permitted Parent Reorganization and (4) the Issuer will provide to the Trustee a certificate from the Board of Directors of New Holdco which confirms the solvency of New Holdco after giving effect to the Permitted Parent Reorganization. Upon such Permitted Parent Reorganization, the Parent Obligor shall be released from its obligations under the Notes Documents.

"*Permitted Subsidiary Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith that is made on a solvent basis; *provided* that, after giving effect to such Permitted Subsidiary Reorganization: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Permitted Subsidiary Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral, subject to the Agreed Securities Principles, (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Permitted Subsidiary Reorganization; and (e) the Issuer will provide to the Trustee a certificate from the Board of Directors of the relevant pledgor which confirms the solvency of the relevant pledgor after giving effect to the Permitted Subsidiary Reorganization.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Post-Completion Merger*" means the merger of the Issuer with Sisal Group S.p.A., as described under "The Transactions" or any other form of merger which will be resolved upon by and exclusively involve the Issuer and Sisal Group, following the completion of the Acquisition.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Proceeds Loans*" means the Sisal Group Proceeds Loan, the Sisal Proceeds Loan and the Sisal Entertainment Proceeds Loan, collectively.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances", "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

" *Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "—Certain Covenants—Limitation on Restricted Payments".

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are reasonably related.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Cash Accounts*" means accounts or deposits containing amounts related to prizes won or accrued and not paid out or to taxes (in relation to games) which are already payable to the applicable tax authorities or to gaming concessionaires or similar authorities.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the revolving credit facility established pursuant to the super senior revolving facility agreement to be dated on or prior to the Issue Date, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit Bank AG Milan Branch as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that (a) is secured by a first-priority Lien on the Collateral or (b) is Incurred by a Restricted Subsidiary that is not a Guarantor and that, in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" or clauses (1), (4), (5), (11), (13) or (16) of the second paragraph of the covenant described under "Certain Covenants—Limitation on Indebtedness" (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Notes (excluding Additional Notes)) and any Refinancing Indebtedness in respect thereof.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date or by the Target Group or any of its Associates on the Completion Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Sisal Group*" means Sisal Group S.p.A.

"*Sisal Group Proceeds Loan*" means the loan to be made on or about the Completion Date by the Issuer to Sisal Group of certain proceeds of the offering of the Notes, as amended, accreted or partially repaid from time to time.

"*Sisal Proceeds Loan*" means the loan to be made on or about the Completion Date by Sisal Group to Sisal S.p.A. of certain proceeds of the offering of the Notes, as amended, accreted or partially repaid from time to time.

"*Sisal Entertainment Proceeds Loan*" means the loan to be made on or about the Completion Date by Sisal S.p.A. to Sisal Entertainment S.p.A. of certain proceeds of the offering of the Notes, as amended, accreted or partially repaid from time to time.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been less than 3.25 to 1.0.

Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "—Change of Control" and the covenant under "—Limitation on Sales of Assets and Subsidiary Stock", to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein).

"*Subsidiary"* means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

   (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

   (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner", as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Target Group*" means Sisal Group S.p.A and its subsidiaries acquired pursuant to the Acquisition Agreement.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or its Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

  (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) a Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

  (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

  (a) any lender under the Revolving Credit Facility;

  (b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

  (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

  in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, a Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated

at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions* " shall have the meaning assigned to such term in this Offering Memorandum under the caption "The Transactions".

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

" *Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "—Certain Covenants—Limitation on Restricted Payments".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of the Notes sold within the United States to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") under the Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with, or on behalf of, a common depositary (the "**Common Depositary**") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

Each series of the Notes sold outside the United States in reliance on Regulation S (the "**Regulation S Notes**") under the Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary and registered in the name of the nominee of the Common Depositary.

Except as set forth below, each series of the Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "Rule 144A **Restricted Book-Entry Interests**") and in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither the Issuer nor the relevant Trustee nor any of their respective agents and neither the Paying Agent, Registrar nor the Transfer Agent will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Paying Agent or the relevant Paying Agent to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, *however*, that, subject to applicable procedures of Euroclear and Clearstream, no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent who will make payment to or to the order of the

Common Depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*", the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holders of the Global Notes (i.e., the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the relevant Trustee nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the relevant Trustee nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "Definitive Registered Notes"), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "*Transfer Restrictions*".

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "*Transfer Restrictions*".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the Securities Act.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Registrar or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes (subject to receipt of the same from the Issuer), registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer Restrictions*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agents, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or its authenticating agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Paying Agent or the Registrar appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer

in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions*".

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the d'Wort). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global Clearance and Settlement Under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the Notes are set out under "*Listing and General Information*".

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer, Trustee nor the Initial Purchasers nor their respective agents take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the relevant Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

CERTAIN ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code impose certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise ("**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, ("**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "**Class Exemptions**") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or (ii) the acquisition and holding of the Notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or similar violation under any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

CERTAIN TAX CONSIDERATIONS

EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "Savings Directive"), the competent authority of each Member State is required to provide to the competent authorities of another Member State details of certain payments of interest or similar income paid or secured by a person established within its jurisdiction to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in that other Member State.

For a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (either provision of information or transitional withholding (a withholding system in the case of Switzerland)).

On November 10, 2015, the Council of the European Union adopted a directive repealing the Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to ongoing requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is aligned with the single global Standard for Automatic Exchange of Financial Account Information in Tax Matters developed and released by the Organization for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

Investors who are in any doubt as to their position should consult their independent professional advisers.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

CERTAIN ITALIAN TAX CONSIDERATIONS

The statements herein regarding Italian taxation are based on the laws and published practices of the Italian tax authorities in effect in Italy as of the date of this offering memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of Notes for Italian resident and non-Italian resident beneficial owners only and it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all tax considerations which may be relevant to make a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to additional or special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

Tax Treatment of the Notes issued by the Issuer

Tax Treatment of Interest

Italian Legislative Decree No. 239 of 1 April 1996 ("Decree 239") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price and any relevant make-whole premium, hereinafter collectively referred to as "Interest") deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities, pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("Decree 917"), issued, *inter alia*, by:

(a) companies whose shares are listed on a regulated market or on a multi-lateral trading platform of EU Member States and of the States party to the European Economic Area Agreement included in the list provided to be issued under Article 11, par. 4, let. c) of Decree 239 ("Approved List"); or

(b) companies whose shares are not listed, issuing Notes traded on the aforementioned regulated markets or platforms.

Italian resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian resident beneficial owner of the Notes (a "Noteholder") is:

(a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime—see "*—Tax treatment of capital gains*" below);

(b) a non-commercial partnership (*società semplice*) and professional association;

(c) a non-commercial private or public institution; or

(d) an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and paid during the relevant holding period, is subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 percent (either when Interest is paid or obtained upon disposal of the Notes). All the above categories are qualified as "net recipients".

Noteholders Engaged in an Entrepreneurial Activity

In the event that the Noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due or be claimed for refund in the relevant tax return.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation and, in certain circumstances, depending on the "status" of the Noteholder, the Italian regional tax on productive activities ("IRAP").

Real Estate Investment Funds

Payments of Interest deriving from the Notes made to Italian resident real estate collective investment funds and real estate SICAFs established pursuant to Article 37 of the Legislative Decree of 25 January 1994, n. 58, as amended and supplemented, and article 14-bis of Law No. 86 of 25 January 1994, including any real estate funds and real estate SICAFs not subject to the tax treatment provided for by Law Decree No. 351 of 25 September 2001, provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorized financial intermediary (or permanent establishment in Italy of a foreign intermediary) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares.

Funds and SICAV

Where an Italian resident Noteholder is an non real estate open-ended or a closed-ended collective investment fund ("Fund") or *Società di Investimento a Capitale Variabil*e ("SICAV") or a non-real estate SICAF established in Italy and either (i) the Fund or SICAV or non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund or the SICAV. The Fund or SICAV will not be subject to taxation on such results, but a withholding or substitute tax of 26% will instead levied on proceeds distributed or received by certain categories of unitholders or shareholders upon redemption or disposal of the units.

Pension Funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree of 5 December 2005, n. 252) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must intend to be included in the results of the relevant portfolio accrued at the end of the tax period (which will be subject to an 20 percent substitute tax). As of January 1, 2015, Italian pension fund benefits from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets to be identified by Ministerial Decree June 19, 2015.

Enforcement of Imposta Sostitutiva

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *società di gesione del Risparmio* ("**SGR**"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each, an "**Intermediary**").

An Intermediary must:

(a) be resident in Italy, or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and

(b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian bank or by any Italian financial intermediary paying interest to a Noteholder or, absent that, by the Issuer and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct imposta sostitutiva suffered from income taxes due.

Non-Italian Resident Noteholders

Where the Noteholder is a non-Italian resident, payments of Interest in respect of Notes issued by the Issuer: will not be subject to the imposta sostitutiva at the rate of 26 per cent. provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected; and

(b) such beneficial owners are residents, for tax purposes, in a country which recognizes the Italian fiscal authorities' right to an adequate exchange of information and listed in the Approved List; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from imposta sostitutiva are timely met and complied with.

Decree No. 239 also provides for additional exemptions from the imposta sostitutiva for payments of Interest in respect of the Notes made to:

(a) an international body or entity set up in accordance with international agreements which have entered into force in Italy;

(b) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of establishment and provided that they timely file with the relevant depositary the appropriate self-declaration; or

(c) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and must:

(a) deposit, directly or indirectly, the Notes with a resident bank or a SIM or a permanent establishment in Italy of a non-Italian resident bank or a SIM or with a non-Italian resident entity or company participating in a centralized securities management system which is in contact, via computer, with the Ministry of Economy and Finance (Euroclear is such a depositary); and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder (*auto-certificazione*), which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not required for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of 12 December 2001.

Failure of a non-resident Noteholder to timely comply with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of imposta sostitutiva on Interest payments to a non-resident Noteholder.

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

Payments Made by an Italian Resident Guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident Guarantor of the Notes, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to Interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 26 percent pursuant to the Presidential Decree

of 29 September 1973, n. 600. In case of payments to non-Italian resident Noteholders, the final withholding tax may be applied at a rate of 26 percent.

Double taxation treaties entered into by Italy may also apply, allowing for a lower (or, in certain cases, nil) rate of withholding tax.

However, in accordance with an alternative interpretation, any such payment made by the Italian resident Guarantor will be treated, in certain circumstances, as a payment by the Issuer and will thus be subject to the Italian tax regime described above.

Tax Treatment of Capital Gains

Italian Resident Noteholders

Noteholders Not Engaged in an Entrepreneurial Activity

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26 percent. Noteholders may set off any capital losses with their capital gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for any of the three regimes described below.

Tax Declaration Regime

Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss of the same kind) realized by the Italian resident individual holding the Notes, during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss of the same kind, in their annual tax return and pay the *imposta sostitutiva* on such gains of the same kind together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years.

Risparmio Amministrato Regime

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each sale or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

i. the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediary; and

ii. an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the *imposta sostitutiva* to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Risparmio Gestito Regime

In the *risparmio gestito* regime, any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26 percent substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains realized in its annual tax return.

Noteholders Engaged in an Entrepreneurial Activity

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of net value of the production for IRAP purposes) if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of

foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real Estate Investment Funds

Any capital gains realized by a Noteholder which is an Italian real estate investment fund and real estate SICAF accrues to the tax year-end appreciation of the managed assets, which is exempt from any income tax. A withholding tax may apply in certain circumstances at the rate of 26 percent on distributions made by Italian real estate funds.

Funds and SICAV

Any capital gains realized by a Noteholder who is a non-real estate Italian Fund or a non-real estate SICAF or a SICAV will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. A 26 percent withholding tax will apply in certain circumstances, to distributions by the Italian Fund or non-real estate SICAF or SICAV or received by certain categories of unitholders or shareholders upon redemption or disposal of the units or the shares (as applicable).

Pension Funds

Any capital gains realized by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree of 5 December 2005, n. 252) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to an 20 percent substitute tax.

Non-Italian Resident Noteholders

The 26 percent final *imposta sostitutiva* on capital gains may be payable on capital gains realized upon the sale or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, letter f), of Decree 917, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the *imposta sostitutiva*, subject to timely filling of required documentation (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes). As of the date of this offering memorandum, the Italian tax authorities have not been officially confirmed whether a multi-lateral trading platform qualifies for this exemption.

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if not traded on regulated markets, are not subject to the *imposta sostitutiva*, provided that the effective beneficiary is:

(a) resident, for tax purposes, in a State included in the Approved List and does not have a permanent establishment in Italy to which the Notes are effectively connected;

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy;

(c) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of establishment; or

(d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorized financial intermediary an appropriate self-declaration stating that they are resident, for tax purposes, in a country which recognizes the Italian fiscal authorities' right to an adequate exchange of information.

If none of the above conditions above is met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the *imposta sostitutiva* at the current rate of 26 percent. However, Noteholders might benefit from an applicable tax treaty with Italy providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the tax resident tax country of the recipient.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito* regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorized financial intermediary appropriate

documents which include, inter alia, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Italian Inheritance Tax and Gift Tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

(a) 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;

(b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;

(c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and

(d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heiress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Wealth Tax

According to Article 19 of Decree of 6 December, 2011, No. 201 ("Decree 201"), individuals, non-commercial institutions and non-commercial partnership resident in Italy holding financial assets—including the Notes—outside Italy are required to pay a wealth tax at the rate of 0.20% (the tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value of such financial assets held outside Italy or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Stamp Taxes and Duties

According to Article 19 of Decree 201, a proportional stamp duty applies on a yearly basis at the rate of 0.20% on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments or in the case that the nominal value or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes). The stamp duty should not exceed €14,000 if the Notes are held by Noteholders who are not natural persons. Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary. In case of reporting periods of less than 12 months, the stamp is pro-rated.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows:

(a) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200.00, and

(b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200.00 only in case of use or voluntary registration.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 ("Decree No. 84"). Under Decree No. 84, subject to certain conditions being met, for any interest paid on the Notes (including interest accrued on the Notes at the time of their disposal) to individuals who qualify as beneficial owners of the interest paid and are resident for tax purposes in another EU Member State, Italian qualified paying agents shall not apply withholding tax

to such interest and shall report to the Italian tax authorities details of the relevant payments and certain information on the individual beneficial owner which is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of tax residence of the beneficial owner.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. Holder (as defined below), except for discussions on FATCA (under "—Foreign Account Tax Compliance Act"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the "IRS"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the Notes. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the notes.

This discussion is limited to holders who hold the Notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the Notes for cash at original issue and at their original "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

For purposes of this discussion, a "U.S. Holder" means a beneficial owner of a Note who or that is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and nor or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Notes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Transactions related to the Acquisition

After the Completion Date of the Acquisition, if the conditions for the Post-Completion Merger are met, it is expected that the Issuer and Sisal Group S.p.A. will merge. The resulting entity, MergerCo, will assume the obligations of the Issuer under the Notes. Although the issue is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. If this position is respected, a U.S. Holder would not recognize any income, gain or loss in connection with such transactions and would have the same adjusted tax basis in the Notes as the U.S. Holder had in the original Notes exchanged therefor. Moreover, the holding period for the Notes would generally include the holding period for the original Notes.

It is possible, however, that the IRS could take a contrary view, and seek to treat the Post-Completion Merger and the assumption of the obligations under the Notes by MergerCo as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in each series of the Notes for U.S. federal income tax purposes. In addition, if the fair market value of one or more series of the Notes at the time of the Post-Completion Merger is less than the principal amount of such series of Notes (by more than a statutorily defined de minimis amount), such series of Notes may be treated as issued with original issue discount, in which case the tax consequences of the ownership and disposition of the Notes described below may be different than what is described below.

Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Acquisition and the Post-Completion Merger.

Payments of stated interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

A U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the foreign currency interest payment (determined based on the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. Holder will not recognize exchange gain or loss with respect to the receipt of such stated interest, but may recognize exchange gain or loss attributable to the actual disposition of the foreign currency so received.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in foreign currency that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such foreign currency denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. Holder may elect, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. Holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. Holder and may not be changed without the consent of the IRS.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the foreign currency payment received (determined based on the spot rate on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of the stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. Holders, "general category income" in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. Holder's ability to claim foreign tax credits. U.S. Holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income by the U.S. Holder) and such U.S. Holder's adjusted tax basis in the Note.

A U.S. Holder's adjusted tax basis in a Note generally will be the cost of such Note to such U.S. Holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date.

If a U.S. Holder receives foreign currency on such a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. If the Notes are not traded on an established securities market (or the relevant holder is an accrual basis U.S. Holder that does not make the special settlement date election), a U.S. Holder will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates with respect to the principal amount of a Note generally will equal the difference, if any, between the U.S. dollar value of the U.S. Holder's foreign currency purchase price for the Note, determined at the spot rate on the date principal is received from the Issuer or the U.S. Holder disposes of the Note, and the U.S. dollar value of the U.S. Holder's foreign currency purchase price for the Note, determined at the spot rate on the date the U.S. Holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder may recognize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest which will be treated as discussed above under *"—Payments of stated interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. Holder will recognize any exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. Holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. Holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. Holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax return disclosure requirements

Treasury Regulations meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in

excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. Holders should consult their own tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals that own "specified foreign financial assets" with an aggregate value in excess of certain thresholds generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at a financial institution. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. Holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Floating Rate Notes or Additional Fixed Rate Notes (each, as defined in the "Description of the Notes") are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the relevant Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all Notes in such series, including the relevant Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") dated as of the date hereof, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer the entire principal amount of the Notes.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering price set forth on the cover page hereof.

Certain of the CVC Funds and/or any other investors arranged by and designated by CVC and members of management of the Target (or any subset thereof) may place a purchase order for and may be allocated Notes at a purchase price per Note equal to the issue prices set forth on the cover page of this offering memorandum, subject to a rebate of the Initial Purchasers' discount in respect of the Notes purchased by such CVC entities upon release of the applicable proceeds from the relevant Escrow Accounts at the Completion Date.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed that, except with the consent of Morgan Stanley & Co. International plc, Credit Suisse Securities (Europe) Limited and UniCredit Bank AG, as representatives of the Initial Purchasers, neither the Issuer nor any of the Guarantors will offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by the Issuer or the Guarantors or any of their subsidiaries that are substantially similar to the Notes for a period of 60 days after the date of this offering memorandum.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. Until 40 days after the later of (i) the commencement of this Offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer Restrictions*".

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Transfer Restrictions*".

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market thereof; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes after completing the Offering. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes*".

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+10"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next six succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Notes Collateral—An active trading market may not develop for the Notes, which may limit your ability to sell the Notes*".

The Initial Purchasers or their respective affiliates from time to time have provided in the past, are currently providing and may provide in the future, investment banking, consultancy, financial advisory, commercial banking and cash management services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions, including in connection with the New Revolving Credit Facility and the bridge financing they have committed to provide in connection with the financing of the Acquisition in the event the Offering is not consummated. The Initial Purchasers or their affiliates may also receive allocations of the Notes.

The proceeds from the Offering will be used to repay a portion of our indebtedness outstanding under the Existing Senior Secured Credit Facilities Agreement. Certain Initial Purchasers or their affiliates are arrangers and lenders under the Existing Senior Secured Credit Facilities Agreement, and, in their capacities as lenders, will receive a portion of the proceeds from the Offering. Deutsche Bank AG, London Branch or its affiliates are acting as transfer agent, paying agent, listing agent, escrow agent and in other agent roles for the Notes. UBS Limited and Deutsche Bank AG, London Branch, together with certain of their affiliates, provided certain advisory services to the Seller in connection with the Acquisition and Morgan Stanley & Co. International plc, together with certain of its affiliates, provided certain advisory services to CVC in connection with the Acquisition. In connection for their services in such capacities, such Initial Purchasers or affiliates have received or will receive customary fees and commissions.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of the Issuer or its affiliates. If the Initial Purchasers or their respective affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to QIBs (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

(a) in the United States, to "qualified institutional buyers", commonly referred to as "QIBs", as defined in Rule 144A in compliance with Rule 144A; and

(b) outside the United States, to non-U.S. persons in offshore transactions in accordance with Regulation S.

The Issuer uses the terms "offshore transaction", "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer, each Guarantor and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraphs (5) and (6) below.

(2) It is neither the Issuer's "affiliate" (as defined in Rule 144), nor acting on its behalf and that either:

(a) it is a QIB, within the meaning of Rule 144A and is aware that any sale of these Notes to it will be made in reliance on Rule 144A, and such acquisition will be for its own account or for the account of another QIB; or

(b) it is purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that none of the Issuer, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. It has had access to such financial and other information concerning the Issuer and its subsidiaries and the Notes that it deems necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act, or in any transaction not subject to the Securities Act.

(5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is, in the case of the Rule 144A Notes, one year after the latest of the original issue date of such Notes, the original issue date of any Additional Notes and the last date on which the Issuer or any of its affiliates were the owner of such Notes (or any predecessor thereto) or, in the case of the Regulation S Notes, 40 days after the later of the original issue date of such Notes and the last date on which such Notes were first offered to persons other than Distributors (as defined in Rule 902 of Regulation S), only (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in offshore transactions in compliance with Regulation S; or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any

requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) above to require the delivery of an opinion of counsel, certification and other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

> THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS [*IN THE CASE OF REGULATION S NOTES*: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF THE REGULATION S)] *[IN THE CASE OF RULE 144A NOTES*: ONE YEAR AFTER THE LATEST OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)], ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

A purchaser of Notes, will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) It understands that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(8) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(9) It acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set out therein have been complied with.

(10) It acknowledges that the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the

Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(11) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*" and "*Notice to Certain European Investors*".

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE NOTES COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests being provided for the Notes, and a summary of certain insolvency law considerations in Italy. The description below is only a summary, and does not purport to be complete or to discuss all the limitations or considerations that may affect the validity and enforceability of the Notes or the Guarantees or security interests being provided for the Notes. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

Limitations on Granting Security Interests and Guarantees under Italian Law

Under Italian law, the creation of a security interest or the granting of a guarantee is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company granting a security interest must receive a real and adequate benefit in exchange for the security interest. The concept of real and adequate benefit is not defined in the applicable legislation and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for down-stream security or guarantee (i.e., security or a guarantee granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross-stream security (i.e., security granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest. In particular, in case of up-stream and cross-stream security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the security provided by an Italian company *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotes or those of its direct or indirect parent company would also be a violation. Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.

Given the above limitation in relation to Italian financial assistance law and corporate benefit:

1. the Guarantee and security interest granted by Sisal Group S.p.A. will not exceed in any case the sum of the highest outstanding principal amount of the Sisal Group Proceeds Loan and the Sisal Proceeds Loan;
2. the Guarantee and security interest granted by Sisal will not exceed an amount equal to the highest outstanding principal amount of the Sisal Proceeds Loan; and
3. the Guarantee and security interest granted by Sisal Entertainment will not exceed an amount equal to the highest outstanding principal amount of the Sisal Entertainment Proceeds Loan,

it being understood that:

a) the amount guaranteed and/or secured by Sisal Group S.p.A., also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes and, until the Merger, (ii) the original principal amount of the Sisal Group Refinancing Tranche, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the original principal amount of the Sisal Group Refinancing Tranche to (II) the original principal amount of the Notes;

b) the amount guaranteed and/or secured by Sisal also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes and (ii) the original principal amount of the Sisal Refinancing Tranche, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the original principal amount of the Sisal Refinancing Tranche to (II) the original principal amount of the Notes;

c) the amount guaranteed and/or secured by Sisal Entertainment also in accordance with article 1938 of the Italian Civil Code, will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes and (ii) the original principal amount of the Sisal Entertainment Refinancing Tranche, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the original principal amount of the Sisal Entertainment Refinancing Tranche to (II) the original principal amount of the Notes;

d) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by an Italian Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by such Italian Guarantor at that time;

e) in order to comply with the mandatory provisions of Italian law in relation to (a) maximum interest rate (namely, Italian Usury Law and article 1815 of the Italian Civil Code), and (b) capitalization of interests (namely, article 1283 of the Italian Civil Code), to the extent applicable, the obligations of any Italian Guarantor under the Guarantee and/or security interest shall not include and shall not extend to (x) any interest qualifying as usurious pursuant the Italian Usury Law, and (y) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code, respectively;

f) any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Guarantee and/or security interest by:

   A. Sisal Group S.p.A., as Italian Guarantor, does not include and does not extend, directly or indirectly, until the Merger to any amount under Tranche A under the Notes,

   B. Sisal, as Italian Guarantor, does not include and does not extend, directly or indirectly, to any amount lent under Tranche A and Tranche B under the Notes,

   C. Sisal Entertainment, as Italian Guarantor, does not include and does not extend, directly or indirectly, to any amount lent under Tranche A and Tranche B under the Notes.

   The proceeds of the enforcement of said guarantees shall be distributed amongst the guaranteed and/or secured creditors (including, without limitation, the Noteholders) in accordance with the provisions of the Intercreditor Agreement. Accordingly the holders of the Notes will be able to recover limited amounts under the relevant Guarantees and security

   "**Italian Guarantor**" means a Guarantor incorporated in Italy.

   "**Sisal Entertainment Refinancing Tranche**" means the principal amount of financial indebtedness of Sisal Entertainment to be repaid, directly or indirectly, with the proceeds of the Notes, which estimated aggregate amount is €93.0 million.

   "**Sisal Group Refinancing Tranche"** means the principal amount of financial indebtedness of Sisal Group, S.p.A. and Sisal to be repaid, directly or indirectly, with the proceeds of the Notes, which estimated aggregate amount is €538.0 million.

   "**Sisal Refinancing Tranche"** means the principal amount of financial indebtedness of Sisal to be repaid, directly or indirectly, with the proceeds of the Notes, which estimated aggregate amount is €127.0 million.

   "**Tranche A**" has the meaning set forth in "*Use of Proceeds*".

   "**Tranche B**" has the meaning set forth in "*Use of Proceeds*".

   "**Tranche C**" has the meaning set forth in "*Use of Proceeds*".

Accordingly the holders of the Notes will be able to recover limited amounts under the relevant Guarantees and security.

The Notes Collateral will be created and perfected in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Notes Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

Centre of Main Interests

Regime applicable to insolvency proceedings opened before June 26, 2017

Pursuant to Council Regulation (EC) No. 1346 of May 29, 2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and conflicting views. The term "center of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "center of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where a large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "center of main interests".

If the "center of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" (within the meaning of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

Regime applicable to insolvency proceedings opened after June 26, 2017

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (the "**Recast EU Insolvency Regulation**") was published on the Official Gazette of the European Union.

The Recast EU Insolvency Regulation will be applicable to insolvency proceedings opened after June 26, 2017. Insolvency proceedings opened before June 26, 2017 will be subject to the EU Insolvency Regulation. The Recast EU Insolvency Regulation will apply to insolvency proceedings opened in respect of a company whose center of main interests is located in a Member State (other than Denmark).

Main insolvency proceedings

Pursuant to Article 3(1) of the Recast EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) within which the center of a debtor's main interests is situated. The "center of main interests" is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties". Article 3(1), paragraph 2, provides for a rebuttable presumption, whereby in the case of a company it is assumed that its center of main interests is in the jurisdiction of the place of its registered office. In order to prevent fraudulent or abusive forum shopping, such presumption only applies if the registered office has not been moved to another Member State within the

three-month period prior to the request of the opening of insolvency proceedings. Otherwise, the presumption shall not apply and the court which shall have jurisdiction to open insolvency proceedings in relation to a company will be the court of the Member State (other than Denmark) within which the company had its registered office before moving it.

If the "center of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the Recast EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast EU Insolvency Regulation. Pursuant to Preamble 10, Annex A has been extended to include insolvency proceedings previously not falling within the scope of the EU Insolvency Regulation (such as, with respect to Italian insolvency proceedings, *accordi di ristrutturazione*, *procedure di composizione della crisi da sovraindebitamento del consumatore and liquidazione dei beni*) in order to promote the rescue of economically viable but financially distressed businesses.

Furthermore, pursuant to Article 6 of the Recast EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary insolvency proceedings

Insolvency proceedings opened in one Member State under the recast EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the Recast EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. "Establishment" is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State.

However, under Article 36 of the Recast EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law and from which the local creditors would benefit if the insolvency proceeding was opened in the Member State were the assets are located. Such undertaking must be made in writing and is subject to approval by a majority of local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvent estate and if a court is requested to open secondary insolvency proceedings, it should refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Pursuant to Article 4 of the Recast EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

Insolvency proceedings involving members of a group of companies

The Recast EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, provided that this is not incompatible with the rules applicable to them.

Applicability

In the event that the Issuer or any its subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer.

On December 4, 2014, the Council of the European Union announced that political agreement had been reached on a regulation amending the EU Insolvency Regulation. As of the date of this Offering Memorandum, the final text of a revised EU Insolvency Regulation had not been published. Prospective investors should consult their own legal advisors with respect to the potential impact of such reforms on any investment in this transaction (without limitation to their need to seek legal advice on this transaction more broadly).

Applicable Insolvency Laws

The insolvency laws of Italy may not be as favorable to investors' interests as those of creditors in other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in-court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be time consuming.

The following is a brief description of certain aspects of insolvency law in Italy. Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reform has been approved by the Italian Government on 23 June 2015 through a law-decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree**"). The Decree entered into force on June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by the Law No. 132/2015 ("**Law 132**"). Law 132 entered into force on 21 August 2015 (the date after its publication in the *Gazzetta Ufficiale*).

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**"), are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they become due. This must be a permanent, and not a temporary, status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition, the following forms of debt restructuring and bankruptcy are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring outside of a judicial process (concordati stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (Piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law.

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business and accounting data provided by the company. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

The terms and conditions of these plans are freely negotiable, *provided that* they are finalized at restructuring the debtor's indebtedness and rebalancing its capital structure. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor subsequently declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions: (i) are not subject to clawback action; and (ii) are exempted from certain potentially applicable criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although publication in the companies' register is possible upon a debtor's request and would allow for certain tax benefits) and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt restructuring agreements with creditors (accordi di ristrutturazione dei debiti) pursuant to Article 182 bis of the Italian Bankruptcy Law

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within 120 day term from: (i) the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court; and (ii) the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (*i.e.*, facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The moratorium can be requested, pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law, by the debtor from the court pending negotiations with creditors (prior to the above-mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication.

The Decree, as amended by Law 132, modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Decree, as amended by Law 132, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from effectively having the power to block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may oppose to it (within 30 days of receipt of the application).

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financing granted "in view of" (*i.e.*, before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status

provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement.

Pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the court, pending the sanctioning (*omologazione*) of the agreement pursuant to Article 182-*bis*, paragraph 1, or after the filing of the petition pursuant to Article 182-*bis*, paragraph 6, or a petition for a *concordato preventivo*, also pursuant to Article 161, paragraph 6, may authorize the debtor to: (i) incur new pre-deductible indebtedness subject to authorization by the court and if an expert certifies that such financing is functional to the overall restructuring process, (ii) secure such indebtedness via *in rem* securities ("**garanzie reali**"), *provided that* the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares the aim of the new financial indebtedness results in a better satisfaction of the creditors; and (iii) pay debts deriving from the supply of services or goods, already payable and due, *provided that* the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree, as amended by Law 132, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo)* outlined below.

Furthermore, according to the Article 1 of the Decree, as amended by Law 132, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *pre-deducibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court-supervised pre-bankruptcy composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, *inter alia*, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it shall ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-bis of the Italian Bankruptcy Law), including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Law Decree No. 69/2013 as converted into Law No. 98/2013 ("**Law Decree 69/2013**"). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a

petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.*, concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the above-mentioned period.

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and *provided that* the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree, as amended by Law 132, are treated as super-senior (so called *pre-deducibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the clawback action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented.

Furthermore, the going concern-based arrangements with creditors can provide for, *inter alia*, the winding-up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who shall authorize all transactions that exceed the ordinary course of business).

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favourable vote of: (a) the creditors representing the majority of the receivables admitted to vote and, in the event that the plan provides for more classes of creditors, also (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the

concordato preventivo provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree, as amended by Law 132, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio)* (i.e. a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree, as amended by Law 132, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy (fallimento)

A request to declare a debtor company bankrupt and to commence bankruptcy proceedings (*fallimento*) and the judicial liquidation of the debtor company's assets can be filed by the debtor company itself, any of its creditors and, in certain cases, by the public prosecutor. Insolvency, as defined under the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million).

Upon the commencement of bankruptcy proceedings:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor company and the management of its assets pass from the debtor company to the bankruptcy receiver (*curatore fallimentare*);

- any act of the debtor company done after a declaration of bankruptcy (including payments made) is ineffective against the creditors;
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to either continue or terminate contracts where some or all of the obligations have not been performed by both parties, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law.

The bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, but is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate. In this respect, Law 132 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requisite applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. The Italian Bankruptcy Law provides for a priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Such priority of payment is provided under mandatory provisions of Italian law (and, as a consequence, it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by applicable law).

Bankruptcy Composition with Creditors (concordato fallimentare)

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

Statutory Priorities

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre-deductible" claims (*i.e.*, claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired (*i.e.*, repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*).

Avoidance Powers in Insolvency

Under Italian law, there are "clawback" or avoidance provisions that may lead to, *inter alia*, the revocation of payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions

include, but are not limited to, transactions made below market value, preferential transactions and transactions made with a view to defrauding creditors. Clawback rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy, compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a clawback period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the clawback period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions that are ineffective by operation of law and acts or transactions that are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

(i) *Acts ineffective by operation of law*

(a) Under Article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(b) under Article 65 of the Italian Bankruptcy Law, payments of debts falling due on the day of the declaration of insolvency or thereafter are deemed ineffective *vis-à-vis* creditors if made by the debtor in the two-year period prior to the insolvency declaration.

(ii) *Acts that could be declared ineffective at the request of the bankruptcy receiver/court commissioner*

(a) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the above referenced Royal Decree and be declared ineffective unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

(I) the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the debtor exceeds by 25% the value of the consideration received by and/or promised to the debtor;

(II) payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;

(III) pledges and mortgages granted by the bankrupt entity in the year preceding the insolvency declaration in order to secure preexisting debts which have not yet fallen due; and

(IV) pledges and mortgages granted by the bankrupt entity in the six months preceding the insolvency declaration, in order to secure debts which had fallen due.

(b) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

(I) the payments of debts that are immediately due and payable and any onerous transactions entered into or made in the six months preceding the insolvency declaration; and

(II) the granting of security interests securing debts (even those of third parties) and made in the six months preceding the insolvency declaration.

(c) The following transactions are exempt from clawback actions:

(I) a payment for goods or services made in the ordinary course of business and in accordance with market practice;

(II) a remittance on a bank account, *provided that* it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;

(III) a sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a nonresidential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as of the date of the insolvency declaration, such activity is actually exercised or the investments for the start of such activity have been carried out;

(IV) transactions entered into, payments made and security interests granted with respect to the bankrupt entity's goods, *provided that* they concern the implementation of a *piano di risanamento attestato* (see "*—Out-Of-Court Reorganization Plans (piani di risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*" above);

(V) a transaction entered into, payment made or security interest granted to implement a concordato preventivo (see "—Court-Supervised Pre-Bankruptcy Composition with Creditors (concordato preventivo)" above) or an accordo di ristrutturazione dei debiti under Article 182-bis of the Italian Bankruptcy Law (see "—Debt Restructuring Agreements with Creditors (accordi di ristrutturazione dei debiti) Pursuant to Article 182-bis of the Italian Bankruptcy Law" above) and transactions entered into, payments made and security interests granted after the filing of the application for a concordato preventivo (see above);

(VI) remuneration payments to the bankrupt entity's employees and consultants; and

(VII) a payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect *vis-à-vis* the acting creditors within the Italian Civil Code ordinary clawback period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, *provided that* the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

Law 132 also introduced new article 2929-*bis* to the Italian Civil Code, providing for a "simplified" claw back action for the creditor in respect of certain type of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors.

In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out for no consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* - "family trust"). In case of gratuitous transfers, the enforcement action can be carried out by the creditor also against the third party purchaser.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the *Prodi-bis* procedure). The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

There are two main phases: a "judicial phase" and an "administrative phase".

Judicial Phase

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissiario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Productive Activities Minister (the "**Ministry**") may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

Administrative Phase

Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Ministry. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless

extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). The plan may also include an arrangement with creditors (*e.g.*, a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, *etc*.) (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003, the industrial restructuring of large insolvent companies is also known as the Marzano procedure. It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the debtor.

The Marzano procedure only applies to large insolvent companies that, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision of whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*") is only available for certain companies, including, *inter alia*, public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be made subject to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is a special sort of insolvency proceeding in which the entity is liquidated not by the bankruptcy court, but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also on other grounds expressly provided for by the relevant legal provisions (*e.g.,* in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect on creditors of the forced administrative winding-up is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

Interim financing

The Decree, as amended by Law 132, introduced the possibility for debtors to also obtain authorization to urgent interim financing and to continue to use existing "*linee di credito autoliquidanti*" (trade receivables credit lines) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, *inter alia*, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional

to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Fraudulent Transfer Provisions of General Applicability Including During Bankruptcy

Under Italian law, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, agreement and any other act by which it disposes of any of its assets, in order to seek a clawback action (a*zione revocatoria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke said guarantee, agreement and other act only if it, in addition to ascertaining prejudice (as outlined above), was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit;
- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Under Luxembourg law, financial collateral arrangements within the meaning of the Luxembourg law of 5 August 2005 on financial collateral arrangements, as amended, may not be challenged by a bankruptcy receiver on the basis of insolvency regulations. Although the revocatory action specifically open to the bankruptcy receiver under bankruptcy rules where a transaction has defrauded the creditors of the bankrupt debtor has been clearly set aside by the Luxembourg law of 5 August 2005 on financial collateral arrangements, as amended, even if governed by a foreign law, the general revocatory action open to any creditor who is the victim of an act defrauding its rights, pursuant to article 1167 of the Luxembourg Civil Code (*actio pauliana*) and foreign revocatory actions not founded on insolvency regulations (to the extent applicable under conflict of laws rules), should remain available to such creditor.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is a joint stock company (*società per azioni*) organized under the laws of Italy. All of the directors and executive officers of the Issuer live outside the United States. Substantially all the assets of the directors and executive officers of the Issuer and all the assets of the Issuer are located outside the United States. As a result, although the Issuer has appointed an agent for service of process under the indenture governing the Notes, it may be difficult for you to serve process on those persons or the Issuer in the United States or to enforce judgments obtained in U.S. courts against them or the Issuer based on civil liability provisions of the federal or state securities laws of the United States.

Subject to the qualifications described below, recognition and enforcement in Italy of final judgments of U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws, may not require retrial on the merits and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995, *inter alia,* the following conditions are met: (i) the relevant U.S. court which rendered the judgment had jurisdiction upon the matter in accordance with Italian law and have rendered a final and binding judgment, not subject to any further appeal (*passato in giudicato*); (ii) summons and complaints have been appropriately served on the defendant in accordance with applicable U.S. law and no fundamental right of the defendant has been violated during the proceedings; (iii) the parties have had an opportunity to be heard in accordance with applicable U.S. law; (iv) there is no conflicting final judgment by an Italian court or an action pending in Italy that commenced prior to the commencement of the proceedings before the U.S. court among the same parties and arising from the same facts and circumstances; and (v) the content of the U.S. judgment does not violate Italian public policy.

Furthermore, according to Article 67 of Italian Law No. 218 of May 31, 1995, if the judgment rendered by the U.S. court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be instituted in the competent Court of Appeal to this end. The competent Court of Appeal does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above (including that requiring that the judgment rendered by the U.S. federal or New York state court is not contrary to public policy in Italy).

In original actions brought before Italian courts, there is doubt as to the enforceability of liabilities or remedies based solely on the U.S. federal securities laws. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply U.S. law provisions if the relevant application violates Italian public policy.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Latham & Watkins (London) LLP as to matters of United States federal and New York law and matters of Italian law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP as to matters of United States federal and New York law and by Studio Legale Associato in association with Linklaters as to matters of Italian law.

INDEPENDENT AUDITORS

Sisal Group S.p.A.'s consolidated financial statements as of December 31, 2013, 2014, and 2015 and for each of the three years in the period then ended, included in this offering memorandum, have been audited by PricewaterhouseCoopers S.p.A., independent accountants, as stated in their reports appearing herein. PricewaterhouseCoopers S.p.A. with registered office in Via Monte Rosa 91, Milan is registered under No. 43 in the Register of Statutory Auditors by the Italian Ministry of Economy and Finance and set out at Article 161 of the Unified Text of the Rules for the Capital Markets (*Testo Unico delle Disposizioni in materia di mercati finanziari*) and under No. 119644 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of the Legislative Decree of 27 January, 1992, No. 88. PricewaterhouseCoopers S.p.A. is also a member of ASSIREVI, the Italian association of auditing firms.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act, upon the written request of any such holder or beneficial owner. We are not currently subject to the periodic reporting or other information requirements of the Exchange Act.

The additional documents and information specified in "*Listing and General Information*" herein and not included in this offering memorandum will be available to be inspected and obtained by holders at the specified office of the listing agent in Ireland during normal business hours on any weekday.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange.

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be obtained free of charge from the Issuer:

- the organizational documents of the Issuer and each of the Guarantors;
- the most recent annual consolidated financial statements, any interim financial statements and any other documents or reports to be published by the Issuer and furnished to holders of the Notes;
- the indenture governing the Notes (which includes the form of the Notes);
- the New Intercreditor Agreement and the New Revolving Credit Facility; and
- the security documents.

We have appointed Deutsche Bank Luxembourg S.A. as Transfer Agent, Registrar, Luxembourg Listing Agent, and Deutsche Bank AG, London Branch as Paying Agent to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Litigation

Except as disclosed in this offering memorandum, neither the Issuer nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on their results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No Material Changes

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial and trading position of the Issuer or any of the Guarantors and no material change in the capitalization of the Issuer or any of the Guarantors since December 31, 2015 (being the last day of the period in respect of which the Group published its latest annual audited consolidated financial statements).

Clearing Information

The Senior Secured Floating Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 145497680 and 145497809, respectively. The ISIN Number for the Senior Secured Floating Rate Notes sold pursuant to Regulation S is XS1454976801 and the ISIN Number for the Senior SecuredFloating Rate Notes sold pursuant to Rule 144A is XS1454978096.

The Senior Secured Fixed Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 145498015 and 145498066, respectively. The ISIN Number for the Senior Secured Fixed Rate Notes sold pursuant to Regulation S is XS1454980159 and the ISIN Number for the Senior Secured Fixed Rate Notes sold pursuant to Rule 144A is XS1454980662.

Legal Information

The Issuer

Schumann S.p.A. is a joint stock company established under the laws of the Republic of Italy and was formed on March 2, 2016. The Issuer is registered with the Milan Companies Register under the registration number 09427590964

and its corporate existence is scheduled to expire on December 31, 2050. The Issuer's financial year ends on December 31.

The registered office of the Issuer is located at Via del Vecchio Politecnico 9, 20121 Milan, Italy and its telephone number at that address is +39 02 76009506.

For information about the Issuer's share capital, please refer to clause 2 of its bylaws. The subscribed share capital of the Issuer is €50,000.00 divided into 50,000 shares with a par value of €1.00 each, all of which are fully paid up. The shares are in registered form.

The Guarantors

The subsidiaries of the Issuer that will guarantee the Notes have the following corporate information:

(a) Sisal Group S.p.A. is a joint stock company established under the laws of the Republic of Italy and registered with the Milan Companies Register under the registration number 1820505. The registered office of Sisal Group S.p.A. is located at Via Alessio di Tocqueville 13, 20154 Milan, Italy and its telephone number at that address is +390288681.

(b) Sisal S.p.A. is a joint stock company established under the laws of the Republic of Italy and registered with the Milan Companies Register under the registration under the registration number 04900570963. The registered office of Sisal S.p.A. is located at Via Alessio di Tocqueville 13, 20154 Milan, Italy.

(c) Sisal Entertainment S.p.A. is a joint stock company established under the laws of the Republic of Italy and registered with the Milan Companies Register under the registration number 02433760135. The registered office of Sisal Entertainment S.p.A. is located at Via Alessio di Tocqueville 13, 20154 Milano, Italy.

General

The issuance of the Notes was authorized by a resolution of the board of directors of the Issuer passed on June 17, 2016. The Guarantees will be authorized by resolutions of the boards of directors of each of the Guarantors on or prior to the Completion Date.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited condensed consolidated interim financial statements of Sisal Group S.p.A. as of and for the three months ended March 31, 2016 and 2015

Unaudited condensed consolidated statement of comprehensive income F-2
Unaudited condensed consolidated statement of financial position F-3
Unaudited condensed consolidated statement of cash flows F-4
Unaudited condensed consolidated statement of changes in equity F-5
Notes to the unaudited condensed consolidated interim financial statements F-6

Audited consolidated financial statements of Sisal Group S.p.A. as of and for the years ended December 31, 2015, 2014 and 2013

Independent Auditor's Report F-16
Consolidated statement of comprehensive income F-17
Consolidated statement of financial position F-18
Consolidated statement of cash flows F-19
Consolidated statement of changes in equity F-20
Notes to the consolidated financial statements F-21

Sisal Group S.p.A.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2016 and 2015

(in thousands of Euro)	Notes	Three months ended March 31, 2016	2015
Revenues	10	164,157	167,893
Fixed-odds betting income	11	27,984	22,923
Other revenues and income		218	336
Total revenues and income		**192,359**	**191,152**
Purchases of materials, consumables and merchandise		2,757	2,050
Costs for services		100,810	104,561
of which related parties	*20*	614	*549*
Lease and rent expenses		5,585	6,201
Personnel costs		21,219	23,443
of which related parties	*20*	964	*937*
Other operating costs		8,619	8,243
Amortisation, depreciation, provisions and impairment losses and reversals		26,043	25,376
Net operating profit (EBIT)		**27,326**	**21,278**
Finance income and similar		138	134
Finance expenses and similar	12	21,503	20,902
of which related parties	*20*	10,810	*10,069*
Share of profit/(loss) of companies accounted for using the equity method		0	0
Profit before income taxes		**5,961**	**510**
Income taxes		3,861	1,664
Total comprehensive profit (loss) for the period		**2,100**	**(1,154)**
Attributable to non-controlling interest		21	66
Attributable to owner of the parent		**2,079**	**(1,220)**
Basic earnings (loss) per share (in Euro)		0.02	(0.01)
Diluted earnings (loss) per share (in Euro)		0.02	(0.01)

(The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements)

Sisal Group S.p.A.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of March 31, 2016 and December 31, 2015

(in thousands of Euro)	Notes	As of March 31, 2016	As of December 31, 2015
Non-current assets			
Property, plant and equipment	13	97,113	103,837
Goodwill	14	860,912	860,912
Intangible assets	13	130,121	141,359
Investments accounted for using the equity method		0	0
Deferred tax assets		22,075	25,173
Other non-current assets		22,307	23,155
Total non-current assets		**1,132,528**	**1,154,436**
Current assets			
Inventories		7,957	11,302
Trade receivables		145,295	144,398
Current financial assets		0	0
Tax receivable		744	1,436
Restricted bank deposits	15	161,986	101,857
Cash and cash equivalents	16	161,248	139,743
Other current assets		47,527	41,076
Total current assets		**524,757**	**439,812**
Total assets		**1,657,285**	**1,594,248**
Equity			
Share capital	17	102,500	102,500
Legal reserve		200	200
Share premium reserve		94,484	94,484
Other reserves		88,488	88,488
Retained earnings (accumulated deficit)		(292,470)	(294,549)
Total equity attributable to owners of the Parent		**(6,798)**	**(8,877)**
Equity attributable to non-controlling interests		361	340
Total equity		**(6,437)**	**(8,537)**
Non-current liabilities			
Long-term debt	18	1,058,350	1,051,467
of which related parties		*417,062*	*410,885*
Provision for employee severance indemnities		9,649	10,035
Deferred tax liabilities		11,698	12,876
Provisions for risks and charges	19	12,075	12,459
Other non-current liabilities		2,525	3,360
Total non-current liabilities		**1,094,297**	**1,090,197**
Current liabilities			
Trade and other payables		243,673	254,668
Short-term debt	18	34,286	34,389
Current portion of long-term debt	18	14,724	19,857
of which related parties		*0*	*0*
Tax payable		2,043	779
Other current liabilities		274,699	202,895
of which related parties		*467*	*1,465*
Total current liabilities		**569,425**	**512,588**
Total liabilities and equity		**1,657,285**	**1,594,248**

(The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements)

Sisal Group S.p.A.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2016 and 2015

(in thousands of Euro)	Three months ended March 31, 2016	2015
Profit (loss) for the period before income taxes	**5,961**	**510**
Amortization and depreciation	22,407	23,294
Impairment of current receivables	3,486	1,931
Provisions for risks and charges, accruals and employee severance indemnities	226	225
Finance (income) expenses	21,365	20,768
Net cash generated from operating activities before changes in working capital, interest and taxes	**53,445**	**46,728**
(Increase) decrease in trade receivables	(4,382)	(3,382)
(Increase) decrease in inventories	3,345	1,184
Increase (decrease) in trade payables	(10,995)	(12,740)
Change in other assets and liabilities	4,352	(6,610)
Tax paid	—	(233)
Net cash generated from operating activities	**45,765**	**24,947**
Increase in property, plant and equipment	(2,606)	(5,670)
Increase in intangible assets	(1,839)	(2,948)
Acquisitions (net of cash)	(333)	(395)
Net cash used in investing activities	**(4,778)**	**(9,013)**
(Decrease) in medium-/long-term debt	(155)	(150)
Increase (decrease) in lease payables	(313)	(328)
Net interest paid	(19,014)	(18,874)
Net cash used in financing activities	**(19,482)**	**(19,352)**
Net change in cash and cash equivalents	**21,505**	**(3,418)**
Net cash at the beginning of the period	**139,743**	**113,692**
Net cash at the end of the period	**161,248**	**110,274**

(The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements)

Sisal Group S.p.A.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2016 and 2015

(in thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Other reserves	Retained earnings (accumulated deficit)	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity as of January 1, 2015	**102,500**	**200**	**94,484**	**87,928**	**(255,777)**	**29,335**	**1,511**	**30,846**
Profit/(loss) for the period					—	(1,220)	66	(1,154)
Total comprehensive profit (loss) for the period	**—**	**—**	**—**	**—**	**—**	**(1,220)**	**66**	**(1,154)**
Equity as of March 31, 2015	**102,500**	**200**	**94,484**	**87,928**	**(255,777)**	**28,115**	**1,577**	**29,692**
Equity as of January 1, 2016	**102,500**	**200**	**94,484**	**88,488**	**(294,549)**	**(8,877)**	**340**	**(8,537)**
Profit/(loss) for the period					2,079	2,079	21	2,100
Total comprehensive profit (loss) for the period	**—**	**—**	**—**	**—**	**2,079**	**2,079**	**21**	**2,100**
Equity as of March 31, 2016	**102,500**	**200**	**94,484**	**88,488**	**(292,470)**	**(6,798)**	**361**	**(6,437)**

(The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements)

Sisal Group S.p.A.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As of and for the three months ended March 31, 2016 and 2015

1. General information

Sisal Group S.p.A. (hereafter the "**Company**") is a company incorporated in Italy, with registered and administrative offices in Milan, in Via Tocqueville 13, organized under the laws of the Republic of Italy. The Company was formerly named Sisal Holding Istituto di Pagamento S.p.A.

The Company and its subsidiaries (together the "**Group"**) operate principally: i) in the gaming sector, mainly on the basis of concessions for pool game wagers, horse and sports betting and legal gaming with AWP (Amusement With Prizes) gaming machines (slot machines and video lottery terminals) and ii) in the collection and payment services sector, by specific authorization of the Bank of Italy, and in the marketing of telephone and TV content top-ups.

The sole shareholder of the Company is Gaming Invest S.à.r.l. ("**Gaming Invest**"), a company indirectly owned, through vehicle companies, by funds promoted by the Apax, Permira and Clessidra groups, by Rodolfo Molo and Malvina Molo as well as certain former executives of the Company.

2. Basis of preparation

These condensed consolidated interim financial statements for the three months ended March 31, 2016 (hereafter the "**Unaudited Condensed Consolidated Interim Financial Statements**") have been prepared following IAS 34, 'Interim financial reporting' which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter "**IFRS**"), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2015 and 2014 (the "**Annual Consolidated Financial Statements**").

The Unaudited Condensed Consolidated Interim Financial Statements include the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and these illustrative notes.

Unless otherwise stated, all amounts are disclosed in thousands of Euro. These Unaudited Condensed Consolidated Interim Financial Statements were approved by the board of directors of Sisal Group S.p.A. on May 27, 2016.

3. Going concern

The three months ended March 31, 2016 closed with a profit of Euros 2,100 thousand, at March 31, 2016 the consolidated equity was negative Euro 6,437 thousand (Euro 8,537 thousand at December 31, 2015) and net working capital was negative Euro 156,906 thousand (Euro 158,273 thousand at December 31, 2015).

With regard to working capital, it should be mentioned that the business of the Group is characterized by a financial cycle in which the cash flows due to the partners and the State are collected from the network earlier than required. Therefore, the presence of a negative working capital should be considered a specific characteristic of the Group.

As for the debt structure, the Group still has a loan secured from Gaming Invest S.àr.l. for an amount, at March 31, 2016, of Euro 417.1 million subordinated to the obligations arising from the Senior Credit Agreement signed with the banks and the issuance of the Senior Secured Notes, both maturing in September 2017. In particular, for the foregoing loan called "Shareholder Loan C", the payment of a portion of the interest due can be deferred for the entire duration of the loan on request of the borrower, therefore the contractual characteristics for the repayment and interest settlement conditions on the loans granted by Gaming Invest facilitate the Group in meeting its financial requirements associated with business operations and contracted obligations.

The role of the sole shareholder as a lender of the Group allows for greater flexibility in defining the policies for capital management, and the equilibrium between risk capital and debt as can be seen in the following chart:

(in thousands of Euro) (Percentage computed on total debt and equity)	As of March 31, 2016	%	As of December 31, 2015	%
Long term debt	641,288		640,582	
Short-term debt and current portion of long-term debt	49,010		54,246	
Funding from third parties	**690,298**	**62.7%**	**694,828**	**63.3%**
Shareholder Loan	417,062		410,885	
Funding from sole shareholder	**417,062**	**37.9%**	**410,885**	**37.4%**
Equity	**(6,437)**	**(0.5)%**	**(8,537)**	**(0.8)%**
Total debt and equity	**1,100,923**	**100.0%**	**1,097,176**	**100.0%**

Despite a context of partial deterioration of the reference regulatory conditions (particularly affecting the Gaming segment), 2015 recorded gross profit and operating profit levels (net of the impact of non-recurring expenses) that were essentially in line with those of 2014, and an overall growth compared to forecasts made at the beginning of the year.

These trends are also confirmed by recent projections drafted by management, particularly for the current year and the next, resulting in a gradual reduction in net debt and compliance with the financial covenants established in the outstanding loan contracts. Group management also began analysis to define an overall corporate refinancing project to meet corporate requirements.

On the basis of the assessments previously illustrated with particular reference to the current and expected profitability of the Group, to the amortization plans for the repayment of debt and to the potential sources of alternative available financing, the directors believe that there is the reasonable expectation that the Group will continue its operating activities in the foreseeable future and will be able to meet its financial commitments as described previously, and in any case for a period of time beyond twelve months, and has therefore prepared these Unaudited Condensed Consolidated Interim Financial Statements on a going concern basis.

4. Accounting policies

The accounting policies adopted are consistent with those that applied to the Annual Consolidated Financial Statements except as described below.

- Taxes on income which, in the interim periods, are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- The following accounting standard applicable since first quarter 2016 and adopted for the first time.

Accounting standards, amendments and interpretations applicable and adopted for the first time

In these interim financial statements, the Group adopted the following accounting standards and amendments:

- Amendments to IFRS 11 (Joint Arrangements): Accounting for Acquisitions for Interest in Joint Operations

  On November 24, 2015, Regulation EC 2173-2015 was issued, applying certain amendments to IFRS 11 at the EU level. The amendments clarify the accounting for acquisitions of interests in a joint operation that constitutes a business.

- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets): Clarification of Acceptable Methods of Depreciation and Amortization

  On December 2, 2015, Regulation EC 2231-2015 was issued, applying certain amendments to IAS 16 and IAS 38 at the EU level. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

- Improvements to IFRS (2012-2014 cycle)

On December 15, 2015, Regulation EC 2343-2015 was issued for application at the EU level of several improvements to IFRS for the period 2012-2014. In particular, the amendments contained in the improvement cycle include:

- Amendments to IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations): the amendments clarify the accounting for changes to a plan of sale or to a plan of distribution to owners;
- Amendments to IFRS 7 (Financial Instruments: Disclosures): the amendments relate to the disclosure for servicing contracts;
- Amendments to IAS 19 (Employee Benefits): the amendments provide clarifications on the discount rate to be used when discounting post-employment benefit obligations.

- Amendments to IAS 1 (Presentation of Financial Statements): Disclosure Initiative

  On December 18, 2015, Regulation EC 2406-2015 was issued, applying certain amendments to IAS 1 at the EU level. The amendments are part of a major initiative to improve presentation and disclosure in financial reports. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The adoption of these standards and amendments had no significant impact on the Company's financial statements.

Accounting standards, amendments and interpretations issued by the IASB but not yet endorsed by the European Union or not yet effective

At the date and preparation of these interim financial statements, the following standards and interpretations issued by the IAS were not yet endorsed by the European Union or were endorsed but not yet effective.

- IFRS 9 (Financial Instruments)
- IFRS 14 (Regulatory Deferral Accounts): Accounting for regulatory deferral account balances
- IFRS 15 (Revenue from Contracts with Customers)
- IFRS 16 (Leases)
- Amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures): Sale or contribution of assets between an investor and its associate/joint venture
- Amendments to IAS 12 (Income Taxes)
- Amendments to IAS 7 (Statement of Cash Flows)
- Clarifications to IFRS 15 (Revenue from Contracts with Customers)

Any impacts from the application of these standards and amendments are currently being assessed.

5. Other Information

The 2015 Budget Law ("Legge di Stabilità") provided a reduction of the fees paid to gaming machines concessionaires for their activities, amounting to a total of Euro 500 million, to be split between the various concessionaires according to the number of authorizations for gaming machines held in their names on December 31, 2014.

In December 2015, the 2016 Budget Law again acted upon this matter through an overall review of the abovementioned fee decrease. In particular, on the one hand it repealed the previous regulations from January 1, 2016 (replaced by increasing the taxes applied on the total amounts played through gaming machines), and on the other hand for the previous period of application of the measure, adopted a rule that, though stated to be an interpretation, seems instead to have a strong novation effect.

Specifically, it introduces the criterion of distribution within the network of the reduction applied under the 2015 Budget Law, anchoring it to the participation of each to the distribution of the fee, based on related contractual arrangements and taking into account their duration in 2015. After further legal and regulatory study, Group's management reached the conclusion that the new legislation mentioned above, remedying the problem of non-quantification of the reduced fee for distribution among individual network operations related to each concessionaire, decreed autonomy and independence not only in terms of fee-related items but also of the related payables due from individual operators. Given the above, the Group is not bounded over what due by its network operators under the 2015 Budget Law and is paying to AAMS the related amounts when and to the extent they are collected.

As a consequence of this conclusion, in the 2015 Sisal Group Financial statements the amounts due by the operators under the 2015 Budget Law, not yet collected by the Group, are not reported, either as receivables from operators and as payables to Administration; the revenues reflects the fees reduction attributable to the Group, while the costs related to the remuneration of the operators remain unchanged.

In the condensed consolidated interim financial statements as of March 31, 2015, approved by the Board of Directors on May 27, 2015, the fees reduction related to operators was classified as reduction of Group revenues for an amount of some Euro 4,6 million and as a corresponding reduction of costs related to the remuneration of the operators for the same amount. Such accounting treatment was based upon information available at the time of approval of condensed consolidated interim financial statements as of March 31, 2015, before management reached the conclusion based on the 2016 Budget Law analysis as described above.

Had the company adopted the same accounting treatment as of December 31, 2015 in the consolidated financial statements as of March 31, 2015, net operating profit and net cash generated from operating activities for the three month period ended March 31, 2015 would not have changed.

6. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgments made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Consolidated Financial Statements.

7. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate, interest rate and bookmaker risk), liquidity risk and credit risk and capital risk.

The Unaudited Condensed Consolidated Interim Financial Statements do not include all financial risk management information and disclosures required for a financial statements prepared according to IFRS. They should be read in conjunction with the Annual Consolidated Financial Statements, which include the full financial risk management disclosure. There have been no changes in the risk management department since year end or in any risk management policies.

Liquidity risk

At March 31, 2016 the Group has a revolving line of credit under the Senior Credit Agreement for a total of Euro 34.3 million, which must be repaid by September 30, 2017. At March 31, 2016 this line was completely drawn down.

Fair value estimation

Financial instruments carried at fair value are reported by valuation method. The different valuation levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Both at March 31, 2016 and December 31 2015 the Group reported no outstanding assets and liabilities that are measured at fair value.

8. Operating segment information

The Group's business is organized in the following operating segments:

- Retail Gaming, engaged in activities involving slot machines and VLTs, fixed-odds sports betting, virtual races and also traditional sports pools, as well as bingo;
- Lottery, engaged in activities for the exclusive concession of NTNG (national totalizator number games);

- Online Gaming, engaged in activities for online games and placing online bets through the sisal.it website and through the mobile phone channel;
- Payments and services, engaged in activities for payment and financial services such as: (i) payment of bills, utilities, fines, taxes, subscriptions etc.; (ii) top-ups of prepaid debit cards; (iii) mobile phone top-ups and pay-for-view TV cards and also (iv) marketing of some products such as gadgets and mini-toys.

The following table presents: i) Revenues and income; ii) Revenues and income net of revenues paid back to the revenue chain; and iii) EBITDA of the operating segments.

(in thousands of Euro)	Three months ended March 31,			
	2016		2015	
	Total revenues	EBITDA	Total revenues	EBITDA
Retail Gaming				
Revenues	71,411		70,796	
Supply Chain / Other revenues	39,562		45,631	
Total	**110,973**	**21,272**	**116,427**	**18,018**
Lottery				
Revenues	20,966		19,124	
Supply Chain / Other revenues	3		1	
Total	**20,969**	**7,337**	**19,125**	**7,468**
Online Gaming				
Revenues	17,548		14,013	
Supply Chain / Other revenues	(2,778)		(1,634)	
Total	**14,770**	**7,223**	**12,379**	**5,781**
Payments and services				
Revenues	25,999		23,707	
Supply Chain / Other revenues	19,582		19,422	
Total	**45,581**	**17,493**	**43,129**	**15,374**
Other	66		92	
Total operating segment	**192,359**	**53,325**	**191,152**	**46,641**

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

(in thousands of Euro)	Three months ended March 31,	
	2016	2015
Total operating segment	**53,325**	**46,641**
Items with different classification	(106)	(137)
Amortization of intangible assets	(13,077)	(13,782)
Depreciation of property, plant and equipment	(9,330)	(9,512)
Impairment losses on current receivables	(3,486)	(1,932)
Net operating profit (EBIT)	**27,326**	**21,278**

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

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

9. Seasonality of operations

The operations of the Group are subject to sports scheduling and other seasonal factors as well as extraordinary events, which may adversely affect results of operations. The professional football season in Italy usually runs from late August to mid-May. As a result, the Group has historically recorded higher betting revenues and income in these months. The volumes of bets collected are also affected by the schedules of other significant sporting events that occur at regular but infrequent intervals, such as the FIFA Football World Cup, UEFA European Football Championship and the Olympics.

As a result of the seasonality for the sporting season, income from offline and online betting activities can vary significantly throughout the year, and on a year-to-year basis. Lottery business unit is also affected by seasonality, as the sale of lottery tickets typically decreases in the summer months while some customers are on vacation.

10. Revenues

The following table sets forth an analysis of Revenues:

	Three months ended March 31,	
(in thousands of Euro)	**2016**	**2015**
Gaming revenues	106,708	113,840
Payments and other services revenues	35,798	34,262
Points of sale revenues	19,981	18,927
Other revenues from third parties	1,670	864
Total	**164,157**	**167,893**

The gaming revenues are analyzed as follows:

	Three months ended March 31,	
(in thousands of Euro)	**2016**	**2015**
Gaming machines revenues	78,181	85,679
NTNG revenues	12,412	10,278
Virtual races revenues	7,586	8,072
Online game revenues	6,162	6,610
Horse race betting revenues	2,190	2,715
Bingo revenues	—	266
Sports pools revenues	169	210
Big bets revenues	8	10
Total	**106,708**	**113,840**

11. Fixed odds betting income

The following table sets forth an analysis of Fixed odds betting income:

	Three months ended March 31,	
(in thousands of Euro)	**2016**	**2015**
Fixed-odds sports betting income	27,608	22,695
Fixed-odds horse race betting income	283	96
Reference horse race betting income	93	132
Total	**27,984**	**22,923**

12. Finance expense and similar

The following table sets forth an analysis of Finance expense and similar:

	Three months ended March 31,	
(in thousands of Euro)	**2016**	**2015**
Interest and other finance expenses—Group	10,810	10,069
Interest and other finance expenses—third parties	10,695	10,806
Exchange (gains) losses realized	(1)	14
Exchange (gains) losses unrealized	(1)	13
Total	**21,503**	**20,902**

13. Property, plant and equipment and other intangibles assets

The composition and movements of property, plant and equipment are as follows:

(in thousands of Euro)	PPE	Other intangible assets
Three months ended March 31, 2016		
Opening net book amount as at January 1, 2016	103,837	141,359
Acquisitions of subsidiaries	—	—
Increases	2,606	1,839
Depreciation, amortisation and impairment	(9,330)	(13,077)
Disposals	—	—
Closing net book amount as As of March 31, 2016	**97,113**	**130,121**

(in thousands of Euro)	PPE	Other intangible assets
Three months ended March 31, 2015		
Opening net book amount as at January 1, 2015	120,565	185,561
Increases	5,670	2,948
Depreciation, amortisation and impairment	(9,512)	(13,782)
Closing net book amount as of March 31, 2015	**116,723**	**174,727**

14. Goodwill

There were no movements in goodwill during the period**.**

15. Restricted bank deposits

Restricted bank deposits include mainly the balances of the accounts for the payment of winnings, including the amounts deposited for the special winnings of the Vinci per la Vita—Win for Life games and for the so-called SuperStar Reserve Fund which comprises the difference between available prize money and winnings payable calculated for each single game, in addition to the bank balances of the deposits made by online game players.

Restricted bank deposits are managed by the Group but their use is restricted to the payment of the cumulative winnings on the relative games and the payment of any winnings from online games.

16. Cash and cash equivalents

Cash and cash equivalents at March 31, 2016 and December 31 2015 are as follows:

	As of	
(in thousands of Euro)	March 31, 2016	December 31, 2015
Bank and postal accounts	155,350	133,772
Cash and cash equivalents	5,898	5,971
Total	**161,248**	**139,743**

17. Share capital

At March 31, 2016, share capital amounts to Euro 102,500 thousand, it is fully paid in and consists of 102,500,000 ordinary shares. Share capital is unchanged compared to December 31, 2015.

18. Borrowings and loans

The table sets forth an analysis of Borrowings and loans:

(in thousands of Euro)	As of March 31, 2016	As of December 31, 2015
Senior Credit Agreement	**415,385**	**414,810**
Senior Secured Notes	**271,693**	**276,224**
Loans from related parties	**417,062**	**410,885**
Loans from other banks	1,638	1,899
Payable to other lenders—leasing contracts	1,582	1,895
Other loans from third parties	**3,220**	**3,794**
Total	**1,107,360**	**1,105,713**
of which current	*49,010*	*54,246*
of which non-current	*1,058,350*	*1,051,467*

Movements in borrowings are analyzed as follows:

(in thousands of Euro)	Three months ended March 31, 2016	Three months ended March 31, 2015
Opening amount as at January 1	**1,105,713**	**1,092,107**
Acquisition of subsidiary	—	—
New borrowings	—	—
Accrued interest and other expenses	2,218	1,687
Repayments of borrowings	571	478
Closing amount as of March 31	**1,107,360**	**1,093,316**

At March 31, 2016, the market price of the senior secured notes was Euro 273.6 million compared to a face value of Euro 275 million.

19. Provisions for risks and charges

The movements in the provisions for risks and charges are the following:

(in thousands of Euro)	As of January 1, 2016	Changes during the period: increase	Changes during the period: decrease	As of March 31, 2016
Sundry risks and charges provisions	12,067	—	(535)	11,532
Technological updating provision	392	151	—	543
Total	**12,459**	**151**	**(535)**	**12,075**

20. Related party transactions

With regard to transactions with the ultimate parent, Gaming Invest, at March 31, 2016 the Company has a loan payable totaling approximately Euro 417,062 thousand. The interest expense on the loan in the three months ended March 31, 2016 amounted to Euro 10,810 thousand (Euro 10,069 thousand in the three months ended March 31, 2015). Related party costs for services, amounting to Euro 614 thousand in the three months ended March 31, 2016 (Euro 549 thousand in the three months ended March 31, 2015) are mainly related to compensation for executives who are also company directors; salaries and employee severance indemnities of key management charged with strategic responsibilities, amounting to Euro 964 thousand in the three months ended March 31, 2016 (Euro 937 thousand in the three months ended March 31, 2015), are reported under Personnel costs.

21. Significant non-recurring events and transactions

During both the three months ended March 31, 2016, and March 31, 2015 the Group did not recognize any non-recurring expenses.

22. Commitments

The Unaudited Condensed Consolidated Interim Financial Statements do not include capital expenditure commitments for approximately Euro 5.6 million; such capital expenditure will be primarily financed by net cash generated from operating activities and residually through capital leasing financing or other long term financing under permitted financial indebtedness.

23. Significant events occurring after the end of period

There are no significant developments to be reported under business and legal environment.

INDEPENDENT AUDITORS REPORT

AUDITORS' REPORT
To the shareholders of Sisal Group SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sisal Group SpA and its subsidiaries (hereniafter "**Sisal Group**"), which comprise the statement of financial position as of 31 December 2015, 2014 and 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the years then ended, a summary of significant accounting policies and other explanatory notes (hereinafter the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared for inclusion in the offering memorandum prepared in connection with the issuance of senior secured notes by Schumann SpA and guaranteed by Sisal Group SpA, Sisal SpA and Sisal Entertainment SpA to (i) qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S. Application will be made to list the notes on the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF Market.

Directors' responsibility for the consolidated financial statements

The directors of Sisal Group SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010 (ISA Italia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of Sisal Group as of 31 December 2015, 2014 and 2013 and of the result of its operations and cash flows for the years then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

The consolidated financial statements as of 31 December 2015 show a net debt of Euro 966 million, a negative consolidated net equity for Euro 8.5 million and a loss of Euro 39.7 million, which has been affected by non-recurring costs for about Euro 19.5 million. In the consolidated financial statements' notes, the directors disclose that the consolidated financial statements for the year ended 31 December 2015 have been prepared on a going concern basis, with particular reference to current and expected profitability of Sisal Group, the amortization plans for the repayment of debt and potential sources of alternative available financing. The directors believe that there is the reasonable expectation that the Sisal Group will continue its operating activities in the foreseeable future and will be able to meet its financial commitments, and in any case for a period of time beyond twelve months.

Our opinion is not modified in respect of this matter.

Milano, 17 June 2016

PricewaterhouseCoopers SpA

Signed by

Francesco Ferrara

(Partner)

Sisal Group S.p.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2015, 2014 and 2013

(In thousands of Euro)	Note	Year ended December 31, 2015	2014	2013
Revenues	8	693,803	715,237	677,152
Fixed-odds betting income	9	89,563	99,696	86,356
Other revenues and income	10	3,711	6,045	8,829
of which non-recurring	*44*	439	*1,188*	—
Total revenues and Income		**787,077**	**820,978**	**772,337**
Purchases of materials, consumables and merchandise	11	10,394	11,608	10,657
of which non-recurring	*44*	—	*35*	—
Costs for services	12	445,461	470,781	453,571
of which referring to related parties	*43*	3,193	*2,768*	*2,250*
of which non-recurring	*44*	1,362	*5,180*	*1,242*
Lease and rent expenses	13	24,248	25,268	20,716
Personnel costs	14	90,463	92,506	81,298
of which referring to related parties	*43*	4,643	*4,604*	*4,381*
of which non-recurring	*44*	794	—	—
Other operating costs	15	34,902	35,825	107,867
of which non-recurring	*44*	714	*1,117*	*76,637*
Amortization, depreciation, provisions and impairment losses and reversals	16	129,507	114,666	110,309
of which non-recurring	*44*	17,076	—	—
Net operating profit (loss) (EBIT)		**52,102**	**70,324**	**(12,081)**
Finance income and similar	17	503	1,203	2,237
Finance expenses and similar	18	84,846	91,031	86,798
of which referring to related parties	*43*	41,773	*45,515*	*43,235*
of which non-recurring	*44*	—	—	*3,170*
Share of profit/(loss) of companies accounted for using the equity method		(58)	(211)	35
Loss before income taxes		**(32,299)**	**(19,715)**	**(96,607)**
Income taxes	19	7,412	(18,716)	2,198
of which non-recurring	*44*	—	*(22,853)*	—
Loss for the year		**(39,711)**	**(999)**	**(98,805)**
Profit attributable to non-controlling interests		109	340	279
Loss attributable to owners of the parent		**(39,820)**	**(1,339)**	**(99,084)**
Other comprehensive income:				
Other comprehensive income that will not be subsequently reclassified to the income statement:				
Actuarial gains (losses) on employees' defined benefit plans		514	(1,820)	40
Tax effect		(186)	502	(11)
Comprehensive loss for the year		**(39,383)**	**(2,318)**	**(98,776)**
Comprehensive profit attributable to non-controlling interests		109	338	279
Comprehensive loss attributable to owners of the parent		(39,492)	(2,656)	(99,055)
Basic and diluted loss per share	20	(0.39)	(0.01)	(0.97)

(The accompanying notes are an integral part of these consolidated financial statements)

Sisal Group S.p.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2015, 2014 and 2013

(In thousands of Euro)	Note	As of December 31, 2015	2014	2013 - Restated
Non-current assets				
Property, plant and equipment	21	103,837	120,565	131,607
Goodwill	22	860,912	879,978	880,024
Intangible assets	23	141,359	185,561	228,874
Investments accounted for using the equity method		—	58	61
Deferred tax assets	24	25,173	31,938	11,809
Other non-current assets	25	23,155	24,825	29,152
Total non-current assets		**1,154,436**	**1,242,925**	**1,281,527**
Current assets				
Inventories	26	11,302	8,965	9,010
Trade receivables	27	144,398	135,276	122,652
Current financial assets	28	—	—	2
Tax receivable	29	1,436	3,652	4,651
Restricted bank deposits	30	101,857	90,339	76,726
Cash and cash equivalents	31	139,743	113,692	104,304
Other current assets	32	41,076	48,418	42,430
Total current assets		**439,812**	**400,342**	**359,775**
Total assets		**1,594,248**	**1,643,267**	**1,641,302**
Equity				
Share capital		102,500	102,500	102,500
Legal reserve		200	200	200
Share premium reserve		94,484	94,484	94,484
Other reserves		88,488	87,928	(1,637)
Retained earnings		(294,549)	(255,777)	(253,121)
Total equity attributable to owners of the parent		**(8,877)**	**29,335**	**(57,574)**
Equity attributable to non-controlling interests		340	1,511	1,174
Total equity	33	**(8,537)**	**30,846**	**(56,400)**
Non-current liabilities				
Long-term debt	34	1,051,467	1,037,656	1,107,890
of which referring to related parties	*43*	410,885	*387,015*	*447,350*
Provision for employee severance indemnities	36	10,035	11,318	9,681
Deferred tax liabilities	24	12,876	15,858	19,847
Provisions for risks and charges	37	12,459	14,101	13,221
Other non-current liabilities	38	3,360	7,158	15,734
Total non-current liabilities		**1,090,197**	**1,086,091**	**1,166,373**
Current liabilities				
Trade and other payables	39	254,668	267,798	268,421
Short-term debt	34	34,389	34,286	34,286
Current portion of long-term debt	34	19,857	20,165	27,527
of which referring to related parties	*43*	—	—	*2,715*
Tax payable	40	779	4,458	2,623
Other current liabilities	41	202,895	199,623	198,472
of which referring to related parties	*43*	1,465	*1,623*	*1,609*
Total current liabilities		**512,588**	**526,330**	**531,329**
Total liabilities and equity		**1,594,248**	**1,643,267**	**1,641,302**

(The accompanying notes are an integral part of these consolidated financial statements)

Sisal Group S.p.A.
CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2015, 2014 and 2013

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Loss before income taxes	**(32,299)**	**(19,715)**	**(96,607)**
Amortization and depreciation	98,262	100,825	95,907
Impairment of current receivables	11,950	12,363	9,228
Impairment of property, plant and equipment and intangible assets	19,987	189	336
Impairment of investments accounted for using the equity method	58	211	(35)
Provisions for risks and charges, accruals and employee severance indemnities	(397)	951	5,696
Finance (income) expenses	84,343	89,828	84,561
Cash flows generated from operating activities before changes in working capital, interest and taxes	**181,904**	**184,652**	**99,086**
(Increase) decrease in trade receivables	(21,072)	(24,986)	19,435
(Increase) decrease in inventories	(2,337)	45	871
Increase (decrease) in trade payables	(13,130)	(623)	(15,885)
Change in other assets and liabilities	(384)	(7,454)	(11,993)
Tax paid	(6,298)	(1,603)	(3,016)
Cash flows generated from operating activities	**138,683**	**150,031**	**88,498**
(Increase) decrease in intangible assets	(13,285)	(13,357)	(30,376)
(Increase) decrease in property, plant and equipment	(24,559)	(33,095)	(30,061)
(Increase) decrease in non-current financial assets	—	(206)	—
(Increase) decrease in other fixed assets	—	—	(12,000)
Acquisition net of cash	(4,457)	(15,808)	(8,895)
Cash flows used in investing activities	**(42,301)**	**(62,466)**	**(81,332)**
New medium/long-term debt	1,900	800	275,700
Increase (decrease) in medium/long-term debt	(14,965)	(13,763)	(271,288)
Net change in lease-related loans	(1,266)	(1,537)	(583)
Net change in short-term loans	—	(300)	(3,606)
Dividends attributable to non-controlling interests	—	—	600
Net interest paid	(56,000)	(63,377)	(56,634)
Cash flows used in financing activities	**(70,331)**	**(78,177)**	**(55,811)**
Increase (decrease) in cash and cash equivalent	**26,051**	**9,388**	**(48,645)**
Cash at the beginning of the year	**113,692**	**104,304**	**152,949**
Cash at the end of the year	**139,743**	**113,692**	**104,304**

The effects of the flows relating to non-recurring transactions are indicated in Note 44.

(The accompanying notes are an integral part of these consolidated financial statements)

Sisal Group S.p.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of and for the years ended December 31, 2015, 2014 and 2013

(In thousands of Euro)	Notes	Share capital	Legal reserve	Share premium reserve	Other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity as of January 1, 2013	32	**102,500**	**200**	**94,484**	**2,092**	**(154,065)**	**45,211**	**335**	**45,546**
Actuarial gains (losses) on employees' defined benefit plans		—	—	—	—	29	29	—	29
Profit (loss) for the year		—	—	—	—	(99,084)	(99,084)	279	(98,805)
Comprehensive income for the year		**—**	**—**	**—**	**—**	**(99,055)**	**(99,055)**	**279**	**(98,776)**
Dividend distribution		—	—	—	—	—	—	—	—
Other changes		—	—	—	(3,730)	—	(3,730)	560	(3,170)
Transactions with shareholders	32	**—**	**—**	**—**	**(3,730)**	**—**	**(3,730)**	**560**	**(3,170)**
Equity As of December 31, 2013 - Restated	33	**102,500**	**200**	**94,484**	**(1,638)**	**(253,120)**	**(57,574)**	**1,174**	**(56,400)**
Actuarial gains (losses) on employees' defined benefit plans		—	—	—	—	(1,318)	(1,318)	(1)	(1,319)
Profit (loss) for the year		—	—	—	—	(1,339)	(1,339)	340	(999)
Comprehensive income (loss) for the year		**—**	**—**	**—**	**—**	**(2,657)**	**(2,657)**	**339**	**(2,318)**
Dividend distribution		—	—	—	—	—	—	—	—
Waiver of shareholder loan					89,080		89,080		89,080
Other changes		—	—	—	486	—	486	(2)	484
Transactions with shareholders	33	**—**	**—**	**—**	**89,566**	**—**	**89,566**	**(2)**	**89,564**
Equity As of December 31, 2014	33	**102,500**	**200**	**94,484**	**87,928**	**(255,777)**	**29,335**	**1,511**	**30,846**
Actuarial gains (losses) on employees' defined benefit plans		—	—	—	—	327	327	1	328
Profit (loss) for the year		—	—	—	—	(39,820)	(39,820)	109	(39,711)
Comprehensive income (loss) for the year		**—**	**—**	**—**	**—**	**(39,493)**	**(39,493)**	**110**	**(39,383)**
Dividend distribution		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other changes		—	—	—	560	721	1,281	(1,281)	—
Transactions with shareholders	33	**—**	**—**	**—**	**560**	**721**	**1,281**	**(1,281)**	**—**
Equity As of December 31, 2015	33	**102,500**	**200**	**94,484**	**88,488**	**(294,549)**	**(8,877)**	**340**	**(8,537)**

(The accompanying notes are an integral part of these consolidated financial statements)

Sisal Group S.p.A.
Notes to the Consolidated Financial Statements

As of and for the year ended December 31, 2015, 2014, 2013

1. General information

Sisal Group S.p.A. (hereafter also "**Sisal Group**", the "**Company**" or the "**Parent**") is a company incorporated in Italy, with registered and administrative offices in Milan, in Via Tocqueville 13, organized under the laws of the Republic of Italy. The current name of the Company was adopted in December 2013. The Company was formerly denominated Sisal Holding Istituto di Pagamento S.p.A.

The Company and its subsidiaries (together the "**Group**") operate principally: *i)* in the gaming sector, mainly on the basis of concessions for pool games, horse and sports betting and legal gaming with **gaming machines** (slot machines and video lottery terminals) and *ii)* in the collection and payment services sector, by specific authorization of the Bank of Italy, and in the marketing of telephone and TV content top-ups.

The sole shareholder of the Company is Gaming Invest S.àr.l. ("Gaming Invest"), a company indirectly owned, through vehicle companies, by funds promoted by the Apax, Permira and Clessidra groups, by Rodolfo Molo and Malvina Molo as well as certain former executives of the Company.

These consolidated financial statements were approved by the Board of Directors of Sisal Group S.p.A. on June 17, 2016.

2. Summary of accounting policies

These special purposes consolidated financial statements of Sisal Group S.p.A. for the years ended December 31, 2015, 2014 and 2013 (the "**Consolidated Financial Statements**") have been prepared only for inclusion in the offering memorandum prepared in connection with the issuance of senior secured notes by Schumann SpA and guaranteed by Sisal Group SpA, Sisal S.p.A. and Sisal Entertainment SpA to (i) qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act (**"Rule 144A"**)) in reliance on Rule 144A) and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S. Application will be made to list the notes on the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF Market.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the IFRS Interpretations Committee, formerly the International Financial Reporting Interpretations Committee ("IFRIC") and before that the Standing Interpretations Committee ("SIC") which, at the balance sheet date, have been adopted by the European Union according to the procedure established by Regulation EC 1606/2002 of the European Parliament and European Council on July 19, 2002. The IFRS have been applied on a consistent basis with the periods presented.

These consolidated financial statements are presented in thousands of Euro, which represents the currency of the economic environment in which the Group operates. All amounts presented in the notes are expressed in thousands of Euro, unless otherwise stated.

The format of the financial statements and the relative classification criteria adopted by the Group, within the framework of the options provided by IAS 1—*Presentation of financial statements* are presented below:

- the consolidated statement of financial position uses a format classifying the assets and liabilities according to current and non-current;
- the consolidated statement of comprehensive income, which classifies costs according to their nature, includes, besides the profit or loss for the year, other non-owner changes in equity;
- the consolidated statement of cash flows is prepared by recognizing cash flows from operating activities according to the indirect method. In the consolidated statement of cash flows, the cash flows provided by the Group's operating activities exclude the effects of fluctuations in the amounts payable for jackpots and winnings of the games which have a contra-entry in restricted bank deposits. This is because the cash flows generated by the sale of the various games and earmarked, by concession obligation, for the payment of the winnings are set aside in dedicated bank accounts. The change was made to provide a clearer representation of the cash flows relating to the cash actually available for the Group. Therefore, the cash movements correlated to the payment of winnings from the dedicated bank accounts are excluded. Consequently the cash at the beginning and at the end of the year shown in the consolidated statement of cash flows is reconciled only to the cash and cash equivalents shown in the

statement of financial position, which excludes the restricted cash deposits for the payment of winnings, which are classified in a separate line of the consolidated statement of financial position.

2.2 Going concern

The year ended December 31, 2015 closed with a loss of Euros 39,711 thousand, consolidated equity at December 31, 2015 is therefore negative by Euros 8,537 thousand and net working capital at the same date is a negative Euros 158,273 thousand. The loss for the year is approximately Euros 39 million greater than for the previous year which had benefited from net non-recurring income totaling about Euros 17.7 million. On the other hand, 2015 results were affected by non-recurring expenses for about Euros 19.5 million, mainly relating to the partial write-down of goodwill following an impairment test.

With regard to working capital, it should be mentioned that the business of the Group is characterized by a financial cycle in which the cash flows payable to the partners and the State are taken up by the network in advance of the relative obligation of payment. Therefore, the presence of a negative working capital should be considered an ongoing phenomenon of the Group.

As for the debt structure, the Company still has a loan secured from Gaming Invest S.àr.l. for an amount, at December 31, 2015, of Euros 411.0 million subordinated to the obligations arising from the Senior Credit Agreement signed with the banks and the issuance of the Senior Secured Notes, both maturing in September 2017. In particular, for the foregoing loan called "Shareholder Loan C", the payment of a portion of the interest due can be deferred for the entire duration of the loan on request of the borrower, therefore the contractual characteristics for the repayment and interest settlement conditions on the loans granted by Gaming Invest facilitate the Group in meeting its financial requirements associated with business operations and contracted obligations.

The important presence of the sole shareholder as a lender of the Group allows for greater flexibility in defining the policies for capital management and the equilibrium between risk capital and debt as can be seen in the following table:

(In thousands of Euro; Percentages computed on total debt and equity)	**As of December 31,**					
	2015		**2014**		**2013**	
Long-term debt	640,582		650,641		660,540	
Short-term debt and current portion of long-term debt	54,246		54,451		59,098	
Funding from third parties	**694,828**	**63.3%**	**705,092**	**62.8%**	**719,638**	**64.6%**
Shareholder Loan	410,885		387,015		367,368	
Subordinated Zero Coupon Shareholder loan	—		—		82,697	
Funding from sole shareholder	**410,885**	**37.4%**	**387,015**	**34.5%**	**450,065**	**40.4%**
Equity	**(8,537)**	**(0.8%)**	**30,846**	**2.7%**	**(56,400)**	**(5.0%)**
Total debt and equity	**1,097,175**	**100.0%**	**1,122,953**	**100.0%**	**1,113,303**	**100.0%**

Despite a context of partial deterioration of the reference regulatory conditions (particularly affecting the Gaming segment), 2015 recorded gross profit and operating profit levels (net of the impact of non-recurring expenses) that were essentially in line with those of 2014, and an overall growth compared to forecasts made at the beginning of the year.

These trends are also confirmed by recent projections drafted by management, particularly for the current year and the next, resulting in a gradual reduction in net debt and compliance with the financial covenants established in the outstanding loan contracts. Group management also began analysis to define an overall corporate refinancing project to meet corporate requirements.

On the basis of the assessments previously illustrated with particular reference to the current and expected profitability of the Group, to the amortization plans for the repayment of debt and to the potential sources of alternative available financing, the directors believe that there is the reasonable expectation that the Group will continue its operating activities in the foreseeable future and will be able to meet its financial commitments as described previously, and in any case for a period of time beyond twelve months, and has therefore prepared these financial statements on a going concern basis.

2.3 Scope of consolidation and consolidation principles

The consolidated financial statements include the financial statements of Sisal Group S.p.A. and the financial statements of its subsidiaries, approved by their relative boards. The companies included in the scope of consolidation at December 31, 2015 2014 and 2013 are reported as follows:

	Companies included in the scope of consolidation					
				% Direct and Indirect ownership as of December 31,		
Name	Headquarters		Share capital	2015	2014	2013
Sisal Group S.p.A (Parent)	Milan	€	102,500,000	—	—	—
Sisal SpA	Milan	€	125,822,467	99.81%	99.81%	99.81%
Sisal Point SpA	Milan	€	600,000	99.81%	99.81%	99.81%
Sisal Entertainment SpA.....	Milan	€	2,131,622	99.81%	99.81%	99.81%
Acme S.r.l.	Santorso (VI)	€	20,000	99.81%	99.81%	99.81%
Friulgames S.r.l.....	Tavagnacco (UD)	€	100,000	99.81%	59.89%	59.89%
Thomas Morden Course Ltd	By fleet UK	GBP	30,000	—	—	99.81%

For additional details on the changes in the scope of consolidation during the years under examination see Note 6. Below is a brief description of the criteria used for the consolidation of subsidiaries and associates.

Subsidiaries

The consolidated financial statements include the financial statements of all the subsidiaries. Control exists when the Parent holds, directly or indirectly, the majority of voting rights or has rights or liability with respect to variable returns deriving from its relations with the entity concerned and, at the same time, is able to affect such returns by exercising its power over that entity. The subsidiaries are consolidated using the line-by-line method starting from the date that control commences until the date that control is transferred to a third party. The closing date of such financial statements coincides with that of the Parent. The principles adopted for line-by-line consolidation are as follows:

- The assets, liabilities, revenues and expenses of the subsidiaries are consolidated on a line-by-line basis, attributing to the non-controlling interests, where applicable, their share of equity and profit or loss for the year which is shown separately in equity and in the income statement;
- The business combinations in which control is acquired are recorded as set out in IFRS 3 – *Business Combinations* by applying the acquisition method of accounting which requires assets acquired, liabilities assumed and equity instruments issued to be measured at their fair value at the acquisition date. The identifiable assets acquired, the liabilities and contingent liabilities assumed are recognized at their fair value at the acquisition date except for deferred tax assets and liabilities, assets and liabilities for employee benefits and assets held for sale which are recognized on the basis of the relative accounting principles. The difference between the acquisition cost and the fair value of the assets and liabilities acquired, if positive, is recognized in intangible assets as goodwill, or, if negative, after reviewing the fair value measurements of the assets and liabilities acquired, is recognized directly in the income statement, as income. Transaction costs are recorded in the income statement when incurred;
- The acquisition cost also includes contingent consideration measured at fair value at the control acquisition date. Subsequent changes in fair value are recognized in the income statement or the statement of comprehensive income if the contingent consideration is a financial asset or liability. If the contingent consideration is classified as equity, the original amount is not re-measured and when extinguished is recorded directly in equity;
- Non-controlling interests in equity and in the profit (loss) are shown as separate items in the financial statements. At the acquisition date, non-controlling interests can be measured at either the acquisition date fair value or according to the proportionate share of the net identifiable assets of the acquired entity. The choice in the measurement method for non-controlling interests is decided on a transaction by transaction basis. If the business combination is achieved in stages, the Group re-measures any previously held interest in the acquired entity at acquisition date fair value and any resultant gain or loss is recognized in the income statement as appropriate;
- Changes in non-controlling interests in a subsidiary which do not constitute an acquisition or a loss of control are accounted for as equity transactions. Therefore, for purchases subsequent to the acquisition of control and the partial disposal of a subsidiary without loss of control, any positive or negative difference between the purchase cost/sales price and the corresponding share of equity is recognized directly in the equity of the Group;
- In the case of the partial disposal of a subsidiary resulting in the loss of control, the investment retained is adjusted to fair value and the revaluation forms part of the gain or loss on the transaction;
- Significant gains and losses (including the related tax effects) resulting from transactions between fully consolidated Group companies which have not yet been realized with third parties at the end of the reporting period

are eliminated. Receivables and payables, costs and revenues and finance income and expenses between companies included in the consolidation are also eliminated, if significant.

Associates

Associates are those companies over which the Group exercises significant influence, which is presumed to exist when the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recorded at cost and, following the acquisition, adjusted to reflect the changes in parent's interest related to net assets of the subsidiary, as follows:

- The carrying amount of such investments is aligned to the adjusted equity, where necessary, to reflect the application of IFRS and includes the recognition of the higher/lower value attributed to the assets and liabilities and goodwill, if any, identified at the date of acquisition;
- The Group's share of the investee's profit or loss is recorded starting from the date that significant control commences until the date that control ceases. In the event in which, as a result of losses, the investee shows a negative equity, the carrying amount of the investment is reduced to zero and any additional losses are provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations, or in any case is required to cover the losses. Changes in the equity of the investee, accounted for using the equity method, unrelated to profit or loss are recognized in the statement of comprehensive income.
- Unrealized gains and losses between the Company/subsidiaries and the investee, accounted for using the equity method including the distribution of dividends, are eliminated to the extent of the Group's investment in the investee.

2.4 Accounting policies

A brief description is provided of the most significant accounting policies and principles used in the preparation of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or production costs including directly chargeable incidental expenses necessary to bring the asset to use. Cost comprises the finance expenses directly attributable to the acquisition, construction or production of the asset. Cost also includes the expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalization of costs inherent to the expansion, modernization or improvement of the structural elements owned or used by third parties is made solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset under the component approach method.

For investments made by Group companies, specifically Sisal Entertainment S.p.A., which exercised the option for the exemption from the obligations for the transactions exempted under art. 36 bis of D.P.R. 633/72, non-recoverable VAT referring to a specific purchase transaction increases the original cost, with the result being that such expense constitutes a part of the value of the capitalized asset. On the other hand, non-deductible VAT, calculated on the basis of the pro-rata coefficient, since it cannot be calculated objectively at the date of acquisition, is similar to a general cost and entirely recognized in other operating costs. The above assets are depreciated systematically each year on a straight-line basis at economic and technical rates calculated according to the assets' estimated useful lives. When the depreciable asset is composed of distinctly identifiable elements, the useful life of which differs significantly from that of the other parts which compose the asset, depreciation is taken separately for each of the parts which make up the asset under the component approach principle.

The estimated useful life by class of property, plant and equipment is the following:

Class of property, plant and equipment	**Useful life in years**
Buildings	33
Plant	3-10
Equipment	3-8
Other assets:	
- vehicles	4-5
- furniture and fixtures	8
- electronic office equipment	5

Class of property, plant and equipment	Useful life in years
Leasehold improvements	Shorter of the estimated useful life of the asset and the duration of the lease contract

When capital expenditures made by the companies refer to assets for the management of gaming obtained by concession from the Customs and Monopolies Agency (AAMS) and are transferable free of charge at the end of the concession period, depreciation is taken over the shorter of the estimated useful life of the asset and the remaining period of the concession.

Depreciation starts when the asset is ready for use taking into account the time at which such condition actually arises.

Leased assets

Assets held under finance leases, in which substantially all the risks and rewards of ownership are transferred to the Group, are initially recognized as assets of the Group at fair value or, if lower, at the present value of the minimum lease payments, including bargain purchase options. The corresponding liability due to the lessor is included in the statement of financial position under financial liabilities. Such assets are depreciated according to the criterion and rates indicated previously, unless the lease term is shorter than the useful life represented by those rates and there is no reasonable certainty of transfer of ownership of the leased asset on expiry of the lease, in which case the depreciation period is represented by the lease term.

Leases where the lessor substantially retains all the risks and rewards of ownership of the assets are accounted for as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets are non-monetary assets which are without physical substance, identifiable, controllable and have the capacity to produce future economic benefits. Such assets are initially recognized at purchase and/or construction cost, including directly attributable expenses to prepare the asset for use. Interest expenses, if any, during and for the development of intangible assets are considered part of the acquisition cost. In particular, the following intangible assets can be identified in the Group.

(a) Goodwill

Goodwill is recognized as an intangible asset with an indefinite useful life. It is recognized initially at cost, as described previously, and subsequently tested for impairment at least annually. The reversal of a previous goodwill impairment loss is not permitted.

(b) Other intangible assets with a finite useful life

Intangible assets with a finite useful life are recognized at cost, as described previously, net of accumulated amortization and impairment losses, if any. Amortization starts when the asset is available for use and is charged systematically over the residual period of benefit, that is, over the estimated useful life. The estimated useful life for the various classes of intangible assets is as follows:

Class of intangible asset	Useful life in years
Patent rights and intellectual property	3
Concessions	Period of concession
Software user licenses.....	Period of utilization on a straight-line basis
Retail network and technological network.....	11
Sisal brand	19
Match Point brand.....	6

Rights and licenses acquired under finance leases, or linked to an agreement which, although not explicitly a finance lease, transfers substantially all the risks and rewards incidental to ownership, are recorded in intangible assets at fair value, net of any amounts due to the lessee, or, if lower, at the present value of minimum lease payments, with a corresponding financial payable to the lessor being recorded in liabilities. The assets are amortized in the manner described below. When there is no reasonable certainty that the lessee will obtain ownership of the assets at the end of the lease term, amortization is made over the shorter of the lease term and the useful life of the assets.

The costs relating to the development of new products and sales channels, particularly with reference to software (for example, the website software used for online gaming and betting, as well as the management of online payment services), are also capitalized. In accordance with IFRS, such costs are capitalized since it is believed that the estimated future economic benefits linked to the receipts from games and services, also online, are able to sustain the amount capitalized.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

(a) Goodwill

As mentioned previously, goodwill is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired.

To test for impairment, goodwill is allocated to each Cash-Generating Unit ("CGU") monitored by management. An impairment loss on goodwill is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of the CGU to which goodwill is allocated is the higher of fair value less costs to sell and its value in use, intended as the present value of future cash flows estimated for the asset in question. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money, proportionate to the investment period, and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount.

The carrying amount of an asset should not be reduced below the highest of:

- the fair value of the asset less costs to sell;
- the value in use, as defined above;
- zero.

The reversal of a previous goodwill impairment loss is not permitted.

(b) Tangible and intangible assets with a finite useful life

At every closing date, the Group assesses whether there are any indications of impairment of intangible and tangible assets. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical damage, and significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trend in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the carrying amount of the assets is reduced to the recoverable amount and any impairment loss is recorded in the income statement. The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use, the latter being the present value of future cash flows estimated for the asset in question. In calculating the value in use, the estimated future cash flows are discounted to present value using a discount rate before taxes that reflects current market assessments of the time value of money, proportionate to the investment period, and the risks specific to the asset. For assets that do not generate largely independent cash flows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in the income statement. The impairment loss is first recognized as a deduction of the carrying amount of goodwill allocated to the cash-generating unit and then only applied to the other assets of the cash-generating unit in proportion to their carrying amount, up to the recoverable amount of the assets with a finite useful life. When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset is re-recognized in the income statement, up to the carrying amount that would have been recorded had no impairment loss been recognized and if normal amortization/depreciation been applied.

TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Trade receivables and other financial assets are included in current assets, except for those with a contractual due date beyond twelve months after the date of the financial statements, which are classified as non-current assets.

The factoring of trade receivables which does not provide for the transfer to the factoring company of substantially all the risks and rewards of ownership (the Group thus remains exposed to the risk of insolvency and late payment: with recourse factoring) is similar to obtaining a loan guaranteed by the receivables factored. In this circumstance, the receivables transferred remain in the statement of financial position of the Group until collection is received by the factoring companies and, as a contra-entry to any advance obtained from the factoring company, a financial payable is recorded. The finance expenses for the factoring transactions represented by the interest on the amounts advanced are charged to the income statement on an accrual basis and classified under finance expenses. The commissions accruing on with recourse factoring are included in finance expenses, whereas the commissions on without recourse factoring are classified in other operating costs.

Impairment losses on receivables are recognized when there is objective evidence that the Group will no longer be able to recover the receivables due from the counterparty on the basis of the contract terms.

Objective evidence includes events such as:

- significant financial difficulties of the counterparty;
- legal disputes with the counterparty over the receivables;
- probability that the counterparty will declare insolvency or other financial restructuring procedure.

The amount of an impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows and is recognized in the income statement. If in subsequent periods the reasons for the impairment cease to exist, the asset value is reinstated up to the amount that would have been recognized had amortized cost been applied.

Financial assets, relating to non-derivative financial instruments, with fixed or determinable payments and fixed maturity dates, which the Company intends and has the ability to hold until maturity are classified as “held-to-maturity financial assets”. Such assets are measured at amortized cost using the effective interest method, adjusted by impairment losses, if any. Whenever there are impairment losses, the same principles as described above for loans and receivables are applied.

Available-for-sale financial assets, including investments in other companies representing available-for-sale assets, are measured at fair value, if determinable. Changes in fair value are recognized directly in an equity reserve in other components of comprehensive income until they are disposed or impaired, at which time they are reversed to income. Other unlisted investments classified as “available-for-sale financial assets” whose fair value cannot be measured reliably are measured at cost adjusted by any impairment losses which are recognized in the consolidated income statement, as required by IAS 39.

Dividends received from investments in other companies are included in finance income.

INVENTORIES

Inventories of playslips and rolls of paper for gaming terminals are stated at the lower of purchase cost, using the weighted average cost method, and realizable value by reference to the market price.

Inventories of spare parts for the gaming terminals are stated at the weighted average cost based on purchase prices.

Obsolete and slow-moving inventories are written down according to their possibility of utilization or realization by setting up a specific provision recorded directly as a decrease in the corresponding asset item.

The inventories of virtual and scratch top-up cards for telephone and television content are stated at the weighted average cost of the purchase prices.

CASH AND CASH EQUIVALENTS

Restricted bank deposits are separately reported from ordinary cash and cash equivalents since they are mainly related to the gaming cash flows which have to to be mandatory segregated for the payment of winnings. Cash and cash equivalents include cash and available bank deposits and other forms of short-term investments, with original due dates equal to or less than three months. Cash and cash equivalents are recorded, according to their nature, at their nominal amount or at amortized cost.

DEBT AND OTHER FINANCIAL LIABILITIES

Debt and other financial liabilities are initially recorded at fair value, net of directly attributable incidental expenses, and subsequently measured at amortized cost using the effective interest method. If there is a change in the estimate of expected cash flows, the value of the liabilities is re-measured to account for this change on the basis of the present value of the new cash flows expected and the effective interest rate determined initially. Financial liabilities are classified within current liabilities, except those with contractual maturities due beyond twelve months of the balance sheet date and those for which the Group has an unconditional right to defer payment for at least twelve months after that date.

Financial liabilities are recognized at the transaction date and are derecognized when paid and when the Group has transferred all the risks and expenses related to the instruments.

FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than the functional currency are translated at the foreign exchange rate prevailing at the transaction date. Foreign exchange gains and losses arising from the settlement of transactions or from year-end translation of assets and liabilities in currencies other than Euro are recognized in the income statement.

STOCK OPTIONS

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

The fair value is determined at the grant date and causes the cost to be recognized (under personnel costs in the income statement) over the vesting period of the options. When the employee's service is remunerated with an equity instrument or when the options granted are on the shares of the Parent, the contra-entry is to an equity reserve. Instead, when the cost of the share-based payment transaction is settled in cash, the contra-entry is to a payable account.

EMPLOYEE BENEFITS

Short-term benefits are represented by salaries and wages, social security, indemnities in lieu of holidays and incentives in the form of bonuses payable in the twelve months subsequent to the date of the financial statements. Such benefits are recognized as components of personnel costs in the period in which their services are rendered.

Post-employment benefits are divided into two categories: defined contribution plans and defined benefit plans.

In defined contribution plans, contributory costs are charged to the income statement as they occur, based on the relative nominal value.

In defined benefit plans, which include severance indemnity due to employees regulated by art. 2120 of the Civil Code ("TFR"), the amount of the benefit to be paid is quantifiable only after termination of employment, and associated with one or more factors such as age, the years of service and compensation. Therefore, the relative cost is charged to the statement of comprehensive income based on actuarial computations. The liability recorded in the financial statements for defined benefit plans corresponds to the present value of the obligation at the date of the financial statements. The obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method.

The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to high-quality corporate bonds issued in Euro which take into account the period of the relative pension plan.

Starting from January 1, 2007, Finance Law 2007 and the relative implementing decrees introduced amendments concerning TFR employee severance indemnity. The amendments include the decision of employees as to the destination of their accruing indemnity. In particular, new flows of TFR can be directed by the employee either to pre-chosen pension funds or retained in the company. In the case of external pension funds the payment of the defined contribution will be made to the fund and starting from such date the new amounts accrued have the nature of defined contribution funds not subject to actuarial measurement.

Starting from January 1, 2013, following the adoption of IAS 19—Employee Benefits, changes in actuarial gains and losses are recognized in other consolidated comprehensive income.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set up to cover losses or liabilities whose existence is certain or probable but which at the end of the reporting period are uncertain as to amount or as to the date on which they will arise. Provisions are recognized only when there is a current obligation (legal or constructive) for a future outflow of resources deriving from a past event and it is probable that the outflow will be necessary to fulfill the obligation. This amount represents the best estimate of the present value of expenditures required to settle the obligation. If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expected cash flows, using a rate which reflects market conditions, the change in the time value of money and the risks specific to the obligation. The increase in the provision due to the cost of money over time is recognized as interest expense.

RECOGNITION OF REVENUES

Revenues are recognized initially at the fair value of the consideration received net of rebates and discounts. Revenues from services are recognized by reference to the value of the services rendered as at the end of the reporting period.

Revenues from sales of goods are recognized when the company has substantially transferred all the risks and rewards of ownership of the goods.

In accordance with IFRSs, sums collected on behalf of third parties, such as in an agency relationship, which do not cause an increase in the company's equity, are excluded from revenues which, instead, are represented solely by the fees and commissions accrued on the transaction. Specifically, the cost pertaining to the purchase of telephone top-up and television content cards are shown as a deduction from gross revenues to highlight that with these transactions the Group's revenue is only the difference between the sales price and the nominal cost of the card.

FIXED-ODDS BETTING INCOME

The bets connected with fixed odds betting are recognized initially as a financial liability in accordance with IAS 39 at the date the bet is accepted. Subsequent changes in the amount of the financial liability are recognized in the income statement under "Fixed-odds betting income" until the date of the event on which the bet was accepted.

COST OF GOODS PURCHASED AND SERVICES PERFORMED

Purchases of goods and the performance of services are recognized in the income statement on an accrual basis. The costs incurred by Sisal Entertainment S.p.A., which exercised the option to dispense with obligations for the transactions exempted under art. 36 bis of D.P.R. 633/72, are recognized in the income statement inclusive of non-recoverable VAT. On the other hand, non-deductible VAT, calculated on the basis of the pro-rata coefficient, since it cannot be calculated objectively at the date of acquisition, is similar to a general cost and entirely recognized in other operating costs.

INCOME TAXES

Income taxes are allocated on the basis of an estimate of the tax expense for the year according to current laws. The corresponding liability is shown under "Tax payable".

Deferred tax assets and liabilities are recognized on the temporary differences between the carrying amount of an asset or a liability in the financial statements and its tax base, except for first-time recognition of goodwill and for those differences related to investments in subsidiaries when the reversal of such differences is under the control of the Group and it is probable that they will not reverse in the reasonably foreseeable future.

Deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority, there is a legally enforceable right of offset and settlement of the net balance is expected. If the net amount is an asset it is shown as "deferred tax assets" and if a liability as "deferred tax liabilities". When the effects of a transaction are credited or charged directly to equity, the related current and deferred taxes are also recognized directly in equity.

Deferred tax assets and liabilities are computed based on tax rates that are expected to apply in the period in which the asset is recovered or settled to the extent that such rates have been approved at the date of the financial statements.

Expenses, if any, in connection with litigation with the tax authorities for the portion relating to the evasion of taxes and the corresponding penalties is recorded in "income taxes".

EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings (loss) per share is calculated by dividing the result for the year attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings (loss) per share is calculated by dividing the result for the year attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For purposes of the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming that the rights having potential dilutive effects are exercised by all the grantees of the rights, whereas the result attributable to the owners of the parent is adjusted to take into account the effects, if any, net of tax, of the exercise of those rights.

2.5 Recently issued accounting standards

Accounting standards, amendments and interpretations applicable and adopted for the first time

In 2015, the Group adopted the following accounting standards and amendments:

- Amendments to IAS 19 (Employee Benefits): Defined Benefit Plans—Employee Contributions. On December 17, 2014, Regulation EC 29-2015 was issued, applying some amendments to IAS 19 at EU level. These amendments are aimed at clarifying the accounting for employee contributions under a defined benefit plan.
- Improvements to IFRS (2010—2012 cycle)

  On December 17, 2014, Regulation EC 28-2015 was issued for the application at EU level of several improvements to IFRS for the period 2010-2012. In particular, the amendments contained in the improvement cycle include:

  - Amendment to IFRS 2 (Share-based Payment): The amendment consists of clarifications of the characteristics of some of the vesting conditions by separately defining “service condition” and “performance condition”;
  - Amendment to IFRS 3 (Business Combinations): The amendments clarify the accounting for “contingent consideration” in a business combination;
  - Amendment to IFRS 8 (Operating Segments): The amendment introduces an additional disclosure to be presented in the financial statements regarding the methods of aggregating operating segments;
  - Amendment to IAS 16 (Property, Plant and Equipment): Revaluation method—proportionate restatement of accumulated depreciation;
  - Amendment to IAS 24 (Related Party Disclosures): Key management personnel;
  - Amendment to IAS 38 (Intangible Assets): Revaluation method—proportionate restatement of accumulated amortization.
- Improvements to IFRS (2011-2013 cycle)

  On December 18, 2014, Regulation EC 1361-2014 was issued for the application at EU level of several improvements to IFRS for the period 2011-2013. In particular, the amendments contained in the improvement cycle include:

  - Amendment to IFRS 3 (Business Combinations): The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself (IFRS 11).
  - Amendment to IFRS 13 (Fair Value Measurement): The amendment clarifies that the exception from the principle of measuring assets and liabilities based on net portfolio exposure also applies to all contracts that come under the scope of IAS 39/IFRS 9.
  - Amendment to IAS 40 (Investment Property).

The adoption of these standards and amendments had no significant impact on the Company’s financial statements.

At the date of the preparation of these consolidated financial statements, the following standards and interpretations issued by the IASB were not endorsed by the European Union or endorsed but no yet applicable to the 2015 financial statements:

- IFRS 14 (Regulatory Deferral Accounts): Accounting for regulatory deferral account balances.
- Amendments to IAS 1: Disclosure Initiative.
- Amendment to IAS 27 (Separate Financial Statements): Equity method in separate financial statements.
- Amendments to IFRS 11 (Joint Arrangements): Accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets): Clarification of acceptable methods of depreciation and amortization.
- Amendments to IFRS 10 (Consolidated Financial Statements) and to IAS 28 (Investments in Associates and Joint Ventures): Sale or contribution of assets between an investor and its associate/joint venture.
- Improvements to IFRS (2012–2014 cycle)
- IFRS 15 (Revenue from Contracts with Customers)
- IFRS 9 (Financial Instruments).

Any impacts on the consolidated financial statements from the application of these amendments are currently being assessed.

3. Management of financial risks

The Group is exposed to: market risk—defined as foreign exchange rate, interest rate and bookmaker risk—liquidity risk, credit risk and capital risk.

The risk management strategy of the Group focuses on minimizing the potential adverse effects on the Group's financial performance. As far as considered necessary, certain types of risk are mitigated by using derivative instruments. Risk management is centralized in the treasury function which identifies, assesses and hedges financial risks, in close cooperation with the operating units of the Group, particularly with the risk management function. The treasury function provides guidelines for monitoring risk management, just as it provides guidelines for specific areas such as interest rate risk, foreign exchange rate risk and the use of derivative and non-derivative instruments.

MARKET RISK

Foreign exchange rate risk

The Group is active on the Italian market and is therefore exposed to exchange rate risk to a limited extent, solely in reference to insignificant amounts for the supply of spare parts for gaming equipment purchased mainly in foreign currency (USD and GBP).

Interest rate risk

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

In particular, the Group normally looks for short-term debt to finance its working capital requirements and for medium- and long-term financing to support investments related to its operations and extraordinary transactions. The financial liabilities which expose the Group to interest rate risk are mainly medium-and long-term indexed loans at variable rates of interest. Specifically, on the basis of the analysis of the Group's indebtedness, 38% of the medium-and long-term debt and short-term debt at December 31, 2015 is at variable rates.

See Note 34 for additional details.

Concerning interest rate risk, a sensitivity analysis was performed to determine the effects on income statement and equity of hypothetical positive and negative 100 bps variations to current effective interest rates.

The analysis performed related mainly to the following:

- cash and cash equivalents, excluding restricted cash deposits used for the payment of winnings;
- short-term and medium-/and long-term debt, including the related derivative financial instruments, where existing.

Regarding cash and cash equivalents, reference was made to the average balance and the average interest rate thereon for the year, while for short-term and medium- and long-term debt the effect was calculated at the reporting date of the consolidated financial statements. This analysis did not include financial payables contracted at fixed rates, further reported amounts do not reflect any tax impact.

	2015				
		Income Statement		Equity	
(In thousands of Euro)	As of December 31, 2015	+1% profit / (loss)	-1% profit / (loss)	+1% profit / (loss)	-1% profit / (loss)
Net financial debt	(278,861)	(2,988)	2,988	(2,988)	2,988
Total	**(278,861)**	**(2,988)**	**2,988**	**(2,988)**	**2,988**

	2014				
		Income Statement		Equity	
(In thousands of Euro)	As of December 31, 2014	+1% profit / (loss)	-1% profit / (loss)	+1% profit /(loss)	-1% profit /(loss)
Net financial debt	(311,769)	(3,463)	3,463	(3,463)	3,463
Total	**(311,769)**	**(3,463)**	**3,463**	**(3,463)**	**3,463**

	2013				
		Income Statement		Equity	
(In thousands of Euro)	As of December 31, 2013	+1% profit / (loss)	-1% profit / (loss)	+1% profit / (loss)	-1% profit / (loss)
Net financial debt	(337,900)	(4,043)	4,043	(4,043)	4,043
Total	**(337,900)**	**(4,043)**	**4,043**	**(4,043)**	**4,043**

Bookmaker risk

Quoting odds, or the process of bookmaking, is the activity of setting odds for fixed odds betting, which, in effect, represents a contract between the bookmaker, who agrees to pay a pre-determined amount (the odds) and the player, who accepts the proposal made by the bookmaker and decides on the amount of his bet within the limits allowed by existing law.

The implicit risk of this activity is managed by the Group through the systematic and professional work of its odds staff in the "risk management function" who are also assisted by external consultants in order to correctly determine the odds and limit the possibility of speculative betting.

LIQUIDITY RISK

Liquidity risk is the risk of not being able to fulfill present or future obligations owing to insufficient available funds. The Group manages this risk by seeking to establish a balance between outflows of cash and the sources of short-term and long-term debt and the gradual and homogeneous distribution of maturities of medium- and long-term debt over time. In particular, a prudent management of liquidity risk implies maintaining a sufficient level of cash and the availability of funds obtainable through an adequate amount of lines of credit.

At December 31, 2015 there were no agreed and unused lines of credit. Moreover, the Group has a *revolving* facility under the Senior Credit Agreement for a total of Euros 34,286 thousand, which must be extinguished by September 30, 2017. At December 31, 2015 this line has been completely drawn down.

Set out below are the cash flows expected in future years for the repayment of financial liabilities subdivided by repayment date at December 31, 2015, 2014 and 2013.

	Financial Liabilities Disbursements Analysis				
(In thousands of Euro)	As of December 31, 2015	To three months	More than three months to one year	More than one year to five years	More than five years
Bank debt and payables to other lenders	694,828	5,815	14,145	682,523	—
Trade payables	254,668	209,863	43,693	1,171	—
Other payables	203,370	155,058	44,951	3,360	—

(In thousands of Euro)	As of December 31, 2015	To three months	More than three months to one year	More than one year to five years	More than five years
	Financial Liabilities Disbursements Analysis				
Total	**1,152,866**	**370,737**	**102,788**	**687,054**	**—**

(In thousands of Euro)	As of December 31, 2014	To three months	More than three months to one year	More than one year to five years	More than five years
	Financial Liabilities Disbursements Analysis				
Bank debt and payables to other lenders	705,092	5,673	14,389	696,650	—
Trade payables	267,798	227,577	40,221	—	—
Other payables	201,949	160,445	30,899	10,605	—
Total	**1,174,839**	**393,695**	**85,509**	**707,255**	**—**

(In thousands of Euro)	As of December 31, 2013	To three months	More than three months to one year	More than one year to five years	More than five years
	Financial Liabilities Disbursements Analysis				
Bank debt and payables to other lenders	719,638	6,213	18,600	710,016	30
Trade payables	268,421	238,560	28,722	1,139	—
Other payables	205,380	166,526	28,814	10,040	—
Total	**1,193,439**	**411,299**	**76,136**	**721,195**	**30**

The flows indicated for the loans refer exclusively to the repayments of principal. Actual disbursements will be increased by the interest charges based on the rates applicable to the various loans as summarized in Note 34. *Bank debt and payables to other* lenders do not include the loan received from the direct parent, Gaming Invest S.àr.l., totaling Euros 411 million at December 31, 2015 (Euros 387 million at December 31, 2014, and Euros 450 million at December 31, 2013) whose repayments are subordinated to those of the Senior Credit Agreement and the Senior Secured Notes.

Further, the table does not include the payments associated with tax payable which will be paid to the tax authorities at due dates established by existing laws.

During the year, the Group complied with all the clauses stated in the existing loan agreements.

CREDIT RISK

Potential credit risk in commercial relations existing mainly with the points of sale, under partnership contracts, is mitigated by specific selection procedures for points of sale, by imposing operating limits on the wagers played on the gaming terminals and by daily controls over changes in credit which provide for the blocking of the terminal in the event of non-payment and the revocation of the authorization to operate as a SISAL outlet in the event of recurrent non-payment.

The potential risk in the commercial relations with the agencies managed by third parties, under partnership agreements, and with the parties operating gaming machines who are entrusted by the Group with the receipts from legal gaming is mitigated by the issue of notes and guarantees at the time of signing the contract: these relationships are also subject to monitoring and periodic audit by the Group.

The gaming credit granted to individual players, in accordance with the internal procedure, is subject to examination and authorization by management on the basis of technical and commercial assessments.

The amount of financial assets that the Group does not expect to collect is covered by the provisions for the impairment of receivables.

Current trade receivables at December 31, 2015, 2014 and 2013 are analyzed by macro class of homogeneous risk in the following table:

(In thousands of Euro)	As of December 31, 2015	2014	2013
Receivables from Public Authorities	24,695	26,726	25,221
Receivables from points of sale (outlets) and shops	176,804	163,555	139,896
Receivables from Betting Agencies	11,684	12,377	11,808
Receivables from Network	18,311	16,008	16,910
Other receivables	10,795	11,736	7,263
Provision for impairment of receivables	(60,552)	(55,611)	(46,472)
Total	**181,737**	**174,792**	**154,626**

- *Receivables from Public Authorities* include receivables from AAMS for games managed according to the regulations of the specific concessions, receivables from advances made on behalf of the concession granting Authority in the course of management of the Totip game and receivables from the Public Administration for reimbursement requests already forwarded at year end, to be settled shortly thereafter; no credit risk is believed to exist on these positions;
- *Receivables from points of sale (outlets) and shops* represent essentially amounts due from gaming activities and payments and other services referring to the last few days of the year and the relative receivables arising from the automated weekly collections of the preceding periods that have gone unpaid. The large number of outlets exposes the Group to a partial uncollectibility risk which, following suitable evaluation by the directors, has duly been covered by a specific provision for impairment of trade receivables.
- *Receivables from Betting Agencies* represent mainly receivables from third parties which manage some of the horse and sports betting agencies on the basis of partnership agreements; the size of individual accounts, some inherited through acquisitions of business segments, requires constant monitoring and the formation of a provision for certain critical cases, often resolved with agreed repayment plans;
- *Receivables from Network* represent mainly receivables from gaming machines, including the single tax (PREU tax) which the concessionaire, Sisal Entertainment S.p.A., must pay regularly to the tax authorities; the large number of customers and the substantial amounts involved expose the Group to a partial collection risk which, following suitable evaluation by the directors, has been covered by a specific provision for impairment of trade receivables;
- *Other receivables* include insurance receivables, receivables from employees and sundry receivables not classifiable in the preceding categories. There are no specific forms of credit risk for the Group associated with this category.

Tax receivables have been excluded from this analysis as no significant risk profile is believed to exist.

Risk exposure

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

		Ageing of Receivables			
(In thousands of Euro)	As of December 31, 2015	Current	Overdue 0-90 days	Overdue between 90-180 days	Overdue more than 180 days
Trade receivables	204,854	106,525	22,013	9,632	66,684
Provision for impairment of receivables	(60,456)	—	(3,102)	(2,923)	(54,431)
Net book value	**144,398**	**106,525**	**18,911**	**6,709**	**12,253**
Other receivables	37,435	35,784	—	73	1,578
Provision for impairment of receivables	(97)	(68)	—	—	(29)
Net book value	**37,338**	**35,716**	**—**	**73**	**1,549**
Total	**181,736**	**142,241**	**18,911**	**6,782**	**13,802**

(In thousands of Euro)	As of December 31, 2014	Ageing of Receivables: Current	Overdue 0-90 days	Overdue between 90-180 days	Overdue more than 180 days
Trade receivables	190,755	108,580	14,273	5,905	61,997
Provision for impairment of receivables	(55,479)	—	(3,837)	(2,769)	(48,873)
Net book value	**135,276**	**108,580**	**10,436**	**3,136**	**13,124**
Other receivables	39,648	37,863	1,321	—	464
Provision for impairment of receivables	(132)	(103)	—	—	(29)
Net book value	**39,516**	**37,760**	**1,321**	**—**	**435**
Total	**174,792**	**146,340**	**11,757**	**3,136**	**13,559**

(In thousands of Euro)	As of December 31, 2013	Ageing of Receivables: Current	Overdue 0-90 days	Overdue between 90-180 days	Overdue more than 180 days
Trade receivables	168,817	97,896	15,151	7,554	48,216
Provision for impairment of receivables	(46,165)	—	(1,525)	(4,570)	(40,070)
Net book value	**122,652**	**97,896**	**13,626**	**2,984**	**8,146**
Other receivables	32,281	31,650			631
Provision for impairment of receivables	(307)	(123)	—	—	(184)
Net book value	**31,974**	**31,527**	**—**	**—**	**447**
Total	**154,626**	**129,423**	**13,626**	**2,984**	**8,593**

Overdue trade receivables not covered by provisions represent balances on which the Group believes an insignificant risk of uncollectibility to exist. As already mentioned, the Group monitors credit risk mainly existing with the outlets through specific procedures for selecting points of sale, by assigning operating limits for wagers on the gaming terminal and by daily control over changes in credit which provides for the blocking of the terminal in the event of non-payment and the revocation of the authorization to operate as a SISAL outlet in the event of recurrent non-payment.

CAPITAL RISK

The objective of the Group in the management of capital risk is principally that of guaranteeing returns to the shareholders and ensuring benefits to the other stakeholders while protecting going concern.

The size of the debt was decided at the time the private equity funds became shareholders on the basis of the assessment of the Group's capacity to generate a steady profit and financial flows sufficient to repay the debt and settle the related expenses but also provide cash flows from operating and investing activities for the development of the business.

The Group has one loan obtained from the controlling entity Gaming Invest S.àr.l., subordinated to the obligations arising from the Senior Credit Agreement signed with the banks and the issuance of the Senior Secured Notes. The contractual characteristics of this loan obtained from Gaming Invest S.àr.l., in terms of the repayment and interest settlement conditions, facilitate the Group in meeting its financial requirements associated with its operations and contracted obligations.

Moreover, in the presence of investment opportunities aimed at increasing the value and the stability of the Group, the international scope of the shareholders which control the Group and the relative amount of the Group's assets enable the Group to take advantage of such opportunities through recourse to risk capital as an alternative to debt.

It should be remembered that during the previous year the sole shareholder of the Parent notified the irrevocable and unconditional waiver of repayment of the loan denominated "ZC Shareholder Loan" (for Euros 60 million), and the relative accrued expenses matured as of the waiver date. This amount increased Group equity by around Euros 89 million at the end of 2014.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category at December 31, 2015, 2014 and 2013 are presented in the following table:

	As of December 31, 2015					
(In thousands of Euro)	**Loans and receivables**	**Investments held to maturity**	**Financial assets or liabilities at fair value**	**Total financial assets or liabilities**	**Non-financial assets and liabilities**	**TOTAL**
Current financial assets						—
Trade receivables	144,398	—	—	144,398	—	144,398
Other assets (current and non-current)	60,493	—	—	60,493	3,738	64,231
Restricted bank deposits	101,802	—	—	101,802	—	101,802
Cash and cash equivalents	139,799	—	—	139,799	—	139,799
Total assets	**446,492**	**—**	**—**	**446,492**	**3,738**	**450,230**
Debt (current and non-current)	1,105,712	—	—	1,105,712	—	1,105,712
Trade and other payables	254,668	—	—	254,668	—	254,668
Other liabilities (current and non-current)	203,370	—	—	203,370	2,885	206,255
Total liabilities	**1,563,750**	**—**	**—**	**1,563,750**	**2,885**	**1,566,635**

	As of December 31, 2014					
(In thousands of Euro)	**Loans and receivables**	**Investments held to maturity**	**Financial assets or liabilities at fair value**	**Total financial assets or liabilities**	**Non-financial assets and liabilities**	**TOTAL**
Current financial assets		—	—	—	—	—
Trade receivables	135,276	—	—	135,276	—	135,276
Other assets (current and non-current)	64,342	—	—	64,342	8,902	73,244
Restricted bank deposits	90,339	—	—	90,339	—	90,339
Cash and cash equivalents	113,692	—	—	113,692	—	113,692
Total assets	**403,649**	**—**	**—**	**403,649**	**8,902**	**412,551**
Debt (current and non-current)	1,092,107	—	—	1,092,107	—	1,092,107
Trade and other payables	267,798	—	—	267,798	—	267,798
Other liabilities (current and non-current)	201,949	—	—	201,949	4,833	206,782
Total liabilities	**1,561,854**	**—**	**—**	**1,561,854**	**4,833**	**1,566,687**

	As of December 31, 2013					
(In thousands of Euro)	**Loans and receivables**	**Investments held to maturity**	**Financial assets or liabilities at fair value**	**Total financial assets or liabilities**	**Non-financial assets and liabilities**	**TOTAL**
Current financial assets	—	—	2	2	—	2
Trade receivables	122,652	—	—	122,652	—	122,652
Other assets (current and non-current)	61,126	—	—	61,126	10,456	71,582
Restricted bank deposits	76,726	—	—	76,726	—	76,726
Cash and cash equivalents	104,304	—	—	104,304	—	104,304
Total assets	**364,808**	**—**	**2**	**364,810**	**10,456**	**375,266**
Debt (current and non-current)	1,169,703	—	—	1,169,703	—	1,169,703
Trade and other payables	268,421	—	—	268,421	—	268,421
Other liabilities (current and non-current)	205,380	—	—	205,380	4,614	209,994
Total liabilities	**1,643,504**	**—**	**—**	**1,643,504**	**4,614**	**1,648,118**

During the years under review, the Group did not reclassify any financial assets among the different categories.

For short-term trade receivables and payables and other receivables and payables, the carrying amount is considered to be a reasonable approximation to fair value. At December 31, 2015, the market price of the senior secured notes was Euros 271.6 million compared to a face value of Euros 275 million.

FAIR VALUE MEASUREMENT

The fair value of financial instruments listed in an active market is based on the market prices at the balance sheet date. The fair value of instruments not listed in an active market is determined using valuation techniques based on a series of methods and assumptions connected with market conditions at the balance sheet date.

The classification of financial instruments based on a hierarchy that reflects the significance of the inputs in the determination of fair value is the following:

- Level 1: Fair value based on inputs that are quoted prices (unadjusted) on active markets for identical financial instruments;
- Level 2: Fair value based on measurement methods referring to variables observable on active markets;
- Level 3: Fair value based on measurement techniques referring to unobservable market variables.

There were not assets and liabilities measured at fair value at December 31, 2015 and 2014.

The following table sets out the assets and liabilities measured at fair value at December 31, 2013 by the level of the fair value hierarchy reflecting the inputs used in determining their fair value.

Financial assets and liabilities measured at fair value

	As of December 31, 2013			
(In thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
1. Financial assets measured at fair value through the income statement	—	—	—	—
2. Available for sale financial assets	2	—	—	2
3. Hedging derivatives	—	—	—	—
Total	**2**	**—**	**—**	**2**
1. Financial liabilities measured at fair value through the income statement	—	—	—	—
2. Hedging derivatives	—	—	—	—
Total	**—**	**—**	**—**	**—**

4. Use of estimates

The preparation of the consolidated financial statements requires that management apply accounting standards and methods which, under certain circumstances, are based on difficult subjective measurements and estimates based on past experience and on assumptions considered, at various times, to be reasonable and realistic in terms of the respective circumstances. The use of such estimates and assumptions affects the amounts reported in the consolidated financial statements (the statement of financial position, the statement of comprehensive income and the statement of cash flows) and also disclosure. Actual results for those areas requiring management judgment or estimates may differ from those recorded in the financial statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions on which the estimates are based.

Below are briefly described the areas that require greater subjectivity of management in making estimates and for which a change in the conditions of the underlying assumptions may have a significant impact on the financial statements.

Goodwill

The Group, in accordance with its adopted accounting policies and procedures for impairment, tests goodwill at least annually if there is any indication that the goodwill may be impaired. The recoverable amount is determined on the basis of the calculation of the value in use. This calculation requires the use of estimates that depend on factors which may vary over time and influence the assessments made by the directors. Further information on the impairment test is disclosed in Note 22.

Depreciation of property, plant and equipment and amortization of intangible assets

The cost of property, plant and equipment and intangible assets is depreciated/amortized on a straight line basis over the estimated useful life of each asset. The economic useful life of these assets is determined at the time of purchase, based on historical experience for similar assets, market conditions and expected future events which may affect them, such as technological changes. The effective economic useful life may, therefore, be different from its estimated useful life. Each year the Company assesses the technological and business segment developments, any contractual and legislative changes related to utilization of the assets and their recovery values are reviewed in order to update the residual useful life. Such updating may modify the depreciation/amortization period and consequently the annual rate and charge for current and future periods.

Impairment loss/reversal of fixed assets

Non-current assets are periodically tested for impairment and where indicators of difficulty in recovery are present an impairment loss is recorded as a deduction from the relative net carrying amount. The existence of such indicators can be verified through subjective valuations, based on information available within the Group or externally and on historical experience. Moreover, in the presence of a potential impairment, this is determined by suitable impairment tests. The correct identification of the factors, indicating a potential impairment and the estimates to determine the loss, may depend on conditions which vary over time, affecting the assessments and estimates. Similar considerations regarding the existence of indicators and the use of estimates in the application of valuation techniques can be found in the valuations to be made in the event of the reversal of impairment losses charged in previous periods.

Deferred tax assets

Deferred tax assets are recorded on the basis of expectations of future taxable income. The assessment of expected future taxable income for the purpose of recognizing deferred tax assets depends on factors which may vary over time and may have significant effects on the measurement of this item.

Provisions for risks and charges

The Group accrues in these provisions the probable liabilities relating to litigations and controversies with staff, suppliers, and third parties and in general expenses arising from any commitments. The quantification of such accruals involves assumptions and estimates based on presently available knowledge of factors which may vary over time. Thus, the final outcomes may be significantly different from those considered during the preparation of the financial statements.

Provision for impairment of receivables

This provision reflects the estimated losses on receivables. The provision covers the estimate of the risk of losses which derives from past experience with similar receivables, from the analysis of overdue receivables (current and historical), of losses and recoveries and finally from monitoring economic trends and forecasts both currently and prospectively of the Company's business.

5. Concessions and litigation

The following principal developments have taken place in the main concession agreements and the related litigation.

Concession for the operation and development of national tote number games (NTNG)

- on April 2, 2008, Sisal S.p.A. was declared outright winner of the tender procedure held in July 2007 for the award of the concession for the operation and development of national tote number games, including Enalotto, being chosen in preference to the bids submitted by Lottomatica S.p.A. and SNAI S.p.A.. The concession is 9 years length and will expire on June 30, 2018;
- on June 26, 2009, after a process lasting approximately two years and the favorable outcome of the verification processes conducted by the State Monopolies Board (AAMS), now the Customs and Monopolies Agency (ADM), relating in particular to Sisal S.p.A.'s bid, an agreement governing the concession was entered into between the Board and Sisal;
- on the legal front, the company had to contend with some appeals to the administrative tribunal filed by the other two companies participating in the selection procedure (namely SNAI S.p.A. and Lottomatica S.p.A.) and by other companies (including Stanley International Betting Limited), mainly with a view to gaining access to all the documentation and having the provisional and final concession awards overturned. They include the appeals filed by SNAI S.p.A., which complained that the specific points contained in its proposals had not been sufficiently

taken into consideration compared with the evaluation of the same points described in Sisal S.p.A.'s proposals, and by Lottomatica S.p.A., objecting to the failure of the Examining Commission to carry out the verification procedure on an 'anomalous' bid. With specific reference to this latter appeal, on March 25, 2009, AAMS announced its decision to instruct the Examining Commission to carry out a preliminary investigation to verify the suitability of the bid submitted by the Company. The verification by the Examining Commission was completed on May 18, 2009, and established that the technical and economic bid submitted by Sisal S.p.A. was suitable and reliable, thus effectively removing the substance of the appeal made to the Regional Administrative Tribunal (TAR) by Lottomatica S.p.A. against the outcome of the selection procedure. As a result, with reference to the legal proceedings filed by Lottomatica S.p.A. and SNAI S.p.A. against the final award of the tender to the Group company, at the hearing on May 27, 2009, the appellants asked for a period of time to examine the outcome of the verification procedure with the aim of filing additional objections if applicable, and such objections were subsequently filed. On June 25, 2009 and July 14, 2009, SNAI S.p.A. and Lottomatica S.p.A. filed an additional pleading setting out their objections to the Commission's ruling. The proceedings are still pending at the time of writing, since a date for the public hearing of the above-mentioned appeals has yet to be set. In company's opinion, the appeals are unfounded with reference to the claims regarding the alleged anomaly of the bid and, with specific reference to the appeals filed by SNAI S.p.A. and Stanley International Betting Limited, are inadmissible, since they were filed by parties which had no interest in appealing: in the case of SNAI S.p.A., because of its position in the final award classification, and in the case of Stanley International Betting Limited, because it did not participate in the tender procedure.

- with reference to the concession for the operation and development of national totalizator number games (NTNG), art. 14.3 of the corresponding agreement contains an undertaking by the concessionaire to collect minimum gaming receipts of Euros 350 million in the first 18 two-month periods during which the concession is in force, failing which a penalty of Euros 500,000 will be imposed for every million Euros or fraction thereof not collected. In the last two-month period in question, May-June 2012, the receipts collected amounted to Euros 317,326,174. AAMS then asked the company to pay a penalty calculated at Euros 16,500,000. The concessionaire filed formal defense arguments and appealed to the Lazio Regional Administrative Tribunal, substantially arguing that in the 18 two-month periods referred to in the agreement, taken as a whole, the receipts collected were actually 50% higher than the minimum guaranteed amount, and raised various crucial factors, falling outside the concessionaire's control, which led to its failure to reach the minimum receipts in the said two-month period. However, after the main hearing on December 19, 2012, the Regional Administrative Tribunal ruled, by judgment filed on February 13, 2013, that the penalty imposed by AAMS was lawful. The judgment appears to be substantiated, but the Company believes various aspects are deserving of consideration by a higher court, as it leads to a substantially unfair result. However, Sisal S.p.A. has decided not to appeal against that judgment to the Council of State, and has entered into a settlement agreement with AAMS requiring the payment of the entire amount over a 4-year period.
- by writ served on July 10, 2014, Giovanni Baglivo, holder of a contract for the collection of NTNG bets in the retail channel, and then chairman of STS, the retailers' association, claimed that the rentals specified in that contract were not payable, because they related to the supply of services by the Company, some of which were already due pursuant to the concession, while some were useless to the owner of the point of sale. Sisal S.p.A. considers that these claims are groundless, and instructed its lawyers to prepare related defense statements. At the first hearing held on March 25, 2015, the judge accepted the exception—proposed by Sisal—of the lack of jurisdiction of the Ordinary Chambers, remanding the case to the Presiding Judge for its assignment to the Specialist Corporate Chambers. The proceedings were reassigned to these Chambers and a conclusions finalization hearing was set for February 1, 2017;
- the Stability Law 2015 delegated power to the Economy and Finance Ministry to take measures in support of the gaming industry in cases where specific products have produced a loss of turnover and tax revenue of not less than 15% per annum in the last three years; as the NTNG concession was in that situation, with the aim of relaunching the most popular and best-known product of those managed by the Group, activities began and were completed to finalize the new SuperEnalotto game formula and the optional SuperStar game, and the corresponding procedures for approval by the competent authorities. The new game formula went into effect from the pool opened on January 31, 2016.

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

- the subsidiary Sisal Entertainment S.p.A., formerly Sisal Slot S.p.A., operates in the gaming machines segment, having replaced Sisal S.p.A. as concessionaire of AAMS pursuant to a rider to the concession agreement for the activation and operation of the network for online management of legal gaming through gaming machines, and of the associated activities and functions, signed on June 3, 2006.
- by Director's Decree of August 6, 2009, AAMS laid down the regulations for the activation of the new gaming systems (Video Lottery Terminals or "VLTs") described in art. 110.6.b of TULPS, stating that this activity is governed by the agreements already in force for the operation of the gaming machines network, and can therefore

be entrusted to operators which, like the above Group company, are already concessionaires. In 2010, Sisal Entertainment S.p.A. and AAMS entered into an additional contract supplementing the Agreement, which was extended until conclusion of the procedures required for a new concession to be granted.

- by notice published in the Official Journal of the European Union on August 8, 2011, ID 2011 – 111208, AAMS initiated the procedure for the grant of the "Concession for the activation and operation of the network for online management of legal gaming through gaming machines, as specified in art. 110.6 of the Consolidated Law Enforcement Act (TULPS), and of the associated activities and functions". Sisal Entertainment S.p.A. took part in said selection procedure, together with 12 other candidates, and was awarded the new concession. 12 of the 13 candidates, excluding BPlus S.p.A., signed the new agreement on March 20, 2013. This concession is 9 years length and will expire on March 30, 2022. Again in the gaming machine sector, by Directors' Decrees of October 12, 2011 and December 16, 2011, AAMS identified public gaming measures useful to ensure the higher revenues specified by art. 2.3 of Decree Law 138 of August 13, 2011, converted with amendments to Law 148 of September 14, 2011, and introduced an additional fee for the gaming machine sector, amounting to 6% of the winnings exceeding the sum of Euros 500 on the machines referred to in art. 110.6.b of the Consolidated Law Enforcement Act (TULPS) (Video Lottery Terminals or VLTs). In particular, in order to apply said additional fee, concessionaires belonging to the online gaming network were required to ask AAMS, by January 20, 2012, to commence the compliance check necessary to upgrade the gaming systems, and should have delivered all the necessary documentation and hardware and software components.

As it is objectively impossible to implement the terms of the said Directors' Decrees without prior modification of the gaming systems software, all concessionaires have appealed to the Lazio Regional Administrative Tribunal against the said decrees, requesting their suspension. On January 25, 2012 the Lazio Regional Administrative Tribunal confirmed the suspension of said decrees, which had already been granted following an ex parte application.

Said Fiscal Decree Law stated that the taxation was postponed until September 1, 2012.

The Lazio Regional Administrative Tribunal, to which the concessionaires also appealed against the terms of the Fiscal Decree Law, ruled in its Order of July 26, 2012 that the issue of constitutional legitimacy raised by the concessionaires regarding said Fiscal Decree Law was relevant and not manifestly groundless, and ordered the corresponding proceedings to be suspended and the file sent to the Constitutional Court. At the hearing held on June 10, 2014, the Court ruled that the issue of constitutionality of the Law was groundless; consequently, and also on the basis of new instructions issued by AAMS by decree dated June 6, 2014, but taking effect on the 15th day after the date on which the Constitutional Court's judgment was filed, the concessionaires are now able to charge the additional fee in dispute.

- The sector has been fraught with disputes for several years (information about which has been given in the Annual Reports for the years concerned), which have created a general situation of serious difficulty and uncertainty. In particular, the dispute regarding loss of Treasury revenues, which AAMS and the Prosecutor at the Court of Auditors believed could be charged to concessionaires of gaming machines, has now concluded. As regards the allegations of breach of contractual obligations and the consequent penalties that AAMS has imposed on concessionaires in various circumstances on the basis of the terms of the concession agreements, against which the latter have appealed to the administrative courts, the final judgments have led to the annulment of three of the penalties imposed and the termination of the related litigation; the Regional Administrative Tribunal cancelled a fourth penalty, but the AAMS appealed against that decision. In relation to this last dispute, on January 27, 2012 AAMS issued notification of the penalty for failure to comply with the service level agreement relating to the response of the gateway system to computerized queries sent by Sogei, quantified at Euros 8,995,332.98; at the main hearing held on February 20, 2013 the Regional Administrative Tribunal also cancelled this penalty, and AAMS appealed against the judgment of the Regional Administrative Tribunal by Appeal served on January 30, 2014. In this appeal also, in its decision filed on December 3, 2015, the Council of State confirmed cancellation of the penalty.
- Again in the gaming machines sector, in a report dated July 16, 2012, served on the concessionaires and, in particular, on Sisal S.p.A., on September 5, 2012, the Office of the Reporting Judge for Treasury Accounts asked the Judicial Section to rule on "the impossibility of making any judicial check on the said accounting statements, as supplied by the concessionaires, due to the absence of certainty in the accounting data they contain"; the report states that the concessionaire/accounting agent "is obliged to fulfill the obligation of accounting to its Authority", that the latter has not certified "the reality of the data, due to the absence of an Internet connection and the extremely generic nature of the criteria used to draw up said accounting statement", that "the accounting statements produced up to the 2009 financial year have not been checked by the Authority's Internal Control Office, which should have approved the Account", and that "in absence of approval by the Internal Control Office, no judicial checking activity can be performed by this Judge".

At the hearing held on January 17, 2013, the concessionaires were informed that in mid-December 2012 the Combined Sections of the Court of Auditors had filed a template that concessionaires must follow when drawing up accounting

statements. The proceedings were therefore adjourned to the hearing of May 16, 2013, at the end of which the court confirmed that a judicial verification of the accounts was impossible and ruled that the file should be sent to the Public Prosecutor. The concessionaire appealed against that decision, and the appeal judgment was published after the hearing held on January 15, 2015. The Court ruled that the report by the Examining Judge did not indicate that a debt was payable by the concessionaire, only that there were deficiencies and irregularities in the accounts submitted by it, and that a decision on those accounts therefore could not be made, "still less a judgment" ordering the concessionaire to make a payment; the court therefore referred the case back to the court of first instance to reconstruct and finalize the accounts and produce a final result, possibly quantifying any sums which were not eligible for deduction, and must therefore be repaid.

- Also in the slot machine sector, proceedings filed by Sisal Entertainment S.p.A. against the AAMS order of August 5, 2013, relating to the requirements laid down in art.1.81.f of Law 220/2010, are pending before the Lazio Regional Administrative Tribunal. Specifically, in the order appealed against, AAMS asked Sisal Entertainment S.p.A. to pay, by way of administrative penalty, the sum of Euros 300 for each slot machine exceeding the number established by the quota rules in force at the time. According to AAMS, the AAMS/SOGEI database indicated, for January to August 2011, surpluses which did not relate to a single network concessionaire, but were due to the coexistence, in the same location, of machines operated by a number of concessionaires, including Sisal Entertainment S.p.A. The latter therefore appealed against the order to the Lazio Regional Administrative Tribunal, requesting its revocation on the ground that AAMS had erred in considering that those surpluses were the responsibility of Sisal Entertainment S.p.A. and that the request for payment of sums amounting, according to AAMS, to a total of Euros 4,293,258.16, was therefore unlawful. AAMS does not seem to have entered an appearance in the proceedings to date, and the case does not appear to have been set down for hearing.

Again in relation to the concession in question, the Stability Law 2015 provides a reduction of the fees paid to gaming machines concessionaires for the concession activities, amounting to a total of Euros 500 million, to be divided between the various concessionaires according to the number of authorizations for gaming machines held in their names on December 31, 2014; the sum payable by each concessionaire was specified in a Director's Decree issued by AAMS on January 15, 2015. After renegotiating the agreements with gaming network operators, concessionaires will be able to pass on a proportion of the fees reduction mentioned previously.

In view of the unfairness of the terms of the Stability Law 2015 and the alleged lack of constitutional legitimacy of the Law, Sisal Entertainment S.p.A.—in a manner similar to that applied also by the other concessionaires—appealed to the Lazio Regional Administrative Tribunal, which considered the exceptions to constitutional legitimacy raised by Sisal Entertainment S.p.A. to be acceptable and remanded proceedings to the Constitutional Court.

- The 2016 Stability Law again acted upon this matter through an overall review of the above-mentioned fee decrease. In particular, on the one hand it repealed the previous regulations from January 1, 2016 (replaced by increasing the taxes applied on the total amounts played through gaming machines), and on the other hand for the previous period of application of the measure adopted a rule that, though stated to be an interpretation, seems instead to have a strong novation effect. Specifically, it introduces the criterion of distribution within the network of the reduction applied under the 2015 Stability Law, anchoring it to the participation of each to the distribution of the fee, based on related contractual arrangements and taking into account their duration in 2015. After further legal and regulatory study, the Group's concessionaire therefore reached the conclusion that the new legislation mentioned above, remedying the problem of non-quantification of the reduced fee for internal distribution among individual network operations related to each concessionaire, decreed autonomy and independence not only in terms of fee-related items but also of the related payables due from individual operators. Given the above, Sisal Entertainment S.p.A. is not bounded over what due by its network operators under the 2015 Stability law and is paying to AAMS the related amounts when and to the extent they are collected.

As a consequence the amounts due by the operators under the 2015 Stability Law but not yet collected by the Group concessionaire (both in terms of receivables from operators and of payables to Administration) are not reported in the financial statements. At the same time the revenues reflects only the fees reduction attributable to the Group, keeping unchanged the costs related to the remuneration of the supply chain.

Horse-racing and sports betting concession

- The horse-racing betting concessions, originally awarded in 2000, will expire on next June 30, 2016. On December 23, 2011 AAMS sent a request to the various concessionaires, including Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), to upgrade to the minimum guaranteed annual figures.

Clause 4 of the said agreements states that concessionaires shall pay the additional sum up to the minimum guaranteed amount, determined pursuant to the InterDirectors' Decree of October 10, 2003, if the annual fee referred to in art. 12 of Presidential Decree 169 of 8 April 1998, destined for UNIRE, is less than said minimum annual amount.

The earlier requests by AAMS to concessionaires to increase the minimum guaranteed amounts for the years 2006, 2007, 2008 and 2009 were suspended as a result of some judgments by the Lazio Regional Administrative Tribunal pending the application of the "safeguard measures" specified by art. 38.4.l of Decree Law 223 of July 4, 2006.

The request to increase the minimum figures in question, as literally argued by AAMS in its application, appears to be based on the fact that it is impossible at present to identify safeguarding measures additional to those already identified according to the criteria of the selection procedures conducted in 2006, which introduced the alleged obligation for concessionaires to pay the additional minimum guaranteed amounts suspended by the earlier judgments of the Regional Administrative Tribunal.

All the concessionaires, including Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.), appealed to the Lazio Regional Administrative Tribunal against that application by AAMS, and the Tribunal granted a suspension.

The Fiscal Decree Law 16/2012, now converted to Law 44/2012, cancelled said provision relating to "safeguarding measures" for concessionaires, and provided that pending disputes could be settled by paying 95% of the amount requested by AAMS.

As a result of the appeals and additional documents filed by all the concessionaires, including Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A), the Regional Administrative Tribunal referred the question to the Constitutional Court which, on November 20, 2013, declared that the part of the provision specifying a maximum reduction of 5% of the amount theoretically payable was unconstitutional. As a result of the Constitutional Court's judgment, the provision appealed against has become ineffective, also as regards pending legal proceedings, so that AAMS will have to review the orders issued against Sisal Match Point S.p.A. (now Sisal Entertainment S.p.A.) in view of the principles laid down by the Constitutional Court. Consequently, at present there are currently no legislative provisions indicating the sums that concessionaires may be required to pay, and AAMS has not issued any order in this respect, which can in any event be appealed against if issued. The remaining amounts payable, amounting to about Euros 3.9 million, were therefore written off to Other Income in the 2013 consolidated financial statements.

Other claims and proceedings in progress

A number of disputes and/or fiscal inspections and investigations of some subsidiaries were pending at year end, broadly commented in the Report on Operations. Despite some contradictory rulings, and pending future developments/proceedings, there currently seems to be no reason to believe that higher taxes, interest or statutory penalties will be imposed on top of what already included in the Financial Statements.

Moreover, in November 2014, assessments were begun at the Parent, Sisal S.p.A. and Sisal Entertainment S.p.A. by the Financial Intelligence Unit of Bank of Italy (UIF) pursuant to art. 47 and 53.4 of Legislative Decree 231/2007, to verify compliance with the provisions concerning anti-money laundering and anti-terrorism financing, in respect of reports of suspect transactions. The company functions involved offered the maximum collaboration to the UIF officers who concluded the inspection phase at the company in February 2015. After completion of the inspection activities, the UIF issued a final report indicating areas for improvement of operations, of which interested parties were promptly informed and reviews undertaken. At the same time, 6 positions were notified for which, according to the tax authority, suspicious transaction reports considered due in relation to the circumstances of the cases in question were either delayed or not issued. With respect to the penalty proceedings, the Group promptly arranged the filing of deductive pleadings by the legal deadlines, requesting a hearing in order to further discuss the reasons for failure to submit suspicious transaction reports. The date of the hearing is still pending.

6. Business combinations

In 2015, 2014 and 2013, a number of limited business combination transactions were entered into as described below.

Year 2013

In 2013 efforts continued to support the Group's growth through acquisitions, particularly through two acquisitions in the Retail Gaming business unit.

Friulgames S.r.l.

At the beginning of the year an acquisition was concluded for approximately Euros 5 million for a 60% interest in the company Friulgames S.r.l., a company operating gaming machines, with approximately 2,100 slot machines and 172 VLTs, mainly in the Friuli Venezia Giulia region and a company that was already a commercial partner of the Group. Subsequently, in November the Group concluded the purchase of Friulgames S.r.l. for a net amount of Euros 0.2 million.

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

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

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

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

Net cash flows resulting from the acquisition were as follows:

(In thousands of Euro)	
Consideration paid on acquisition	**(5,033)**
Cash at acquisition date	2,144
Financial payables and overdrafts at acquisition date	—
Net cash at acquisition	**2,144**
Net cash flows used for acquisition	**(2,889)**

At December 31, 2013, the consideration for the purchase was fully paid.

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

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

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

In November 2013, Friulgames S.r.l. concluded the acquisition of a business relating to the company Maxima for the management of 378 gaming machines in the “Triveneto” area, investing Euros 1.8 million. The acquisition was financed with its cash and with the assignment to the Group of a payable existing between the seller and Sisal Entertainment S.p.A.. Goodwill was recognized on the acquisition for approximately Euros 1,258 thousand.

At the same time the Group assigned to minority shareholders a put option and obtained by them a call option related to the minority shares. Both the options could be exercised at a prestated price, based on company’s financials, starting from June 30, 2015. The consolidated financial statements include the financial liability related to the put option, totalling about Euros 3 million at December 31, 2014 (Euros 4,2 million at December 31, 2013).

Merkur Interactive Italia S.p.A. business

In the last quarter of the year one of the most important and relevant transactions of the last few years was concluded by the Group. This relates to the acquisition from the company Merkur Interactive Italia S.p.A. of the betting and gaming business which it operated through 75 Bersani concessions in addition to 29 new concessions recently awarded in the call for tenders in 2012 concluded during the year. The business is already operational in 68 gaming establishments in which approximately 1,500 slot machines are installed. The transaction was concluded for consideration of about Euros 21 million, of which Euros 6 million was paid on acquisition and the remaining balance will be paid in quarterly installments starting in January 2014. The acquisition allows the Sisal Matchpoint brand to consolidate its presence in central-northern Italy with shops having a medium floor area featuring a high level of service to the public and almost all with bar service attached.

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

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

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

(In thousands of Euro)	**Merkur Interactive S.p.A.**
Intangible assets	2,778
Property, plant and equipment	14,113
Other assets—current and on-current	757
Inventories	—
Trade receivables	—
Cash and cash equivalents	571
Assets acquired	**18,219**
Provision for employee severance indemnities	541
Short and m/l-term loans	—
Deferred tax liabilities	—
Trade and other payables	—
Other liabilities	736
Liabilities acquired	**1,277**
Non-controlling interests	—
Net assets acquired	**16,942**

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

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

Net cash flows used for the acquisition at the acquisition date are as follows:

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

Year 2014

Acme S.r.l.

At the beginning of August 2014, a transaction was completed for the acquisition of 100% of the share capital of the company Acme S.r.l. with headquarters in Santorso (Vicenza). The company assembles gaming machines and is already a supplier of the Group. The consideration agreed totals Euros 338 thousand (including an amount related to the contractually defined earn-out).

The assets acquired and the liabilities assumed of the company and the business were recognized at their fair value and, in addition to the recognition of the assets acquired and the liabilities assumed, goodwill of approximately Euros 146 thousand was recognized as described in the following table:

(In thousands of Euro)	**Acme S.r.l.**
Intangible assets	12
Property, plant and equipment	3
Other assets—current and on-current	19
Inventories	259
Trade receivables	1,591
Cash and cash equivalents	34
Assets acquired	**1,918**
Provision for employee severance indemnities	67
Trade and other payables	1,641
Other liabilities	18
Liabilities acquired	**1,726**
Net Assets acquired	**192**

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

(in thousands of Euro)	
Present value of consideration	338
Net assets acquired	192
Goodwill	**146**

Net cash flows used for the acquisition at the acquisition date are as follows:

(in thousands of Euro)	
Consideration paid on acquisition	(5)
Cash at acquisition date	34
Net cash at acquisition	**34**
Net cash flows used for acquisition	**29**

A formal deed of acknowledgement was signed in 2015, based on which the agreed price was reduced by Euros 189 thousand and duly recorded in the income statement.

Year 2015

As in the previous year, in 2015 there was only one acquisition.

Mille horse race betting agency business

In July 2015 the Group finalized the acquisition transaction, for approximately Euros 130 thousand, on a business unit that performs collection services for games for the public, relating to horse racing or sports, and is a gaming machine operator at a store in Rome. The consideration agreed was Euros 131 thousand.

The assets acquired and the liabilities assumed of the company and the business were recognized at their fair value and, in addition to recognition of the assets acquired and the liabilities assumed, goodwill of Euros 410 thousand was recognized as described in the following table:

(In thousands of Euro)	Mille horse race betting agency business
Provision for employee severance indemnities	**207**
Other payables to personnel	**72**
Liabilities acquired	**279**

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

(In thousands of Euro)	
Present value of consideration	131
Net liabilities acquired	(279)
Goodwill	**410**

Net cash flows used for the acquisition at the acquisition date are as follows:

(In thousands of Euro)	
Consideration paid on acquisition	**(20)**
Cash at acquisition date	0
Net cash at acquisition	**0**
Net cash flows used for acquisition	**(20)**

7. Operating segments

The management monitors and manages its business by identifying four operating segments.

The operating segments are monitored on the basis of: *i)* revenues and income, *ii)* revenues and income net of revenues paid back to the revenue chain and *iii)* EBITDA. EBITDA is defined as the profit for the year adjusted for the following items: *i)* depreciation, amortization, impairment losses and reversals of property, plant and equipment and intangible assets; *ii)* finance income and similar; *iii)* finance expenses and similar; *iv)* share of profit/(loss) of companies accounted for using the equity method; and *v)* income taxes.

Operating segment EBITDA does not include financing activities results (finance income and expense) since they are not under the direct control of each segment. Likewise, provisions, amortization, depreciation and other significant non-cash items other than provisions, amortization and depreciation, portions of profit or loss of associates, income taxes and tax receivable are not included as these have to be indicated separately in accordance with IFRS 8.

For information purposes only and without this different criterion affecting the valuation of the financial statements item, the portion of revenues recognized back to the distribution network in the Retail Gaming and Payments and Services segments are illustrated in the report on operations, with netting of the related costs. Likewise, certain revenue-adjusting cost categories reported in the consolidated financial statements exist that in the report on operations are instead included under operating costs.

From a financial position perspective, segment activities and results are not currently reviewed by Group management.

The four operating segments are described as follows:

- **Retail Gaming**, manages activities involving slot machines and VLTs, fixed-odds sports betting and also traditional sports pools, as well as bingo. The Retail Gaming segment also manages the Branded Channel and a part of the points of sale of the Affiliated Channel.
- **Lottery** is responsible for operating the exclusive concession for national tote number games ("NTNG"), of which the most popular products are SuperEnalotto, WinForLife!, SiVinceTutto and EuroJackpot. The lottery games are managed through the Branded and Affiliated Channels as well as the Group's web portal and 23 online gaming portals operated by third parties and connected to the Group's NTNG online platform. The Lottery segment also manages the points of sale of the Affiliated Channel that are not managed by the Retail Gaming segment.

- **Online Gaming** presents players with the opportunity to play online games and place online bets through the sisal.it web portal and through the mobile phone channel. The online product mix offered by the Group is one of most extensive and includes the entire portfolio of products available in accordance with the laws in force, such as online betting and online poker and casino games as well as lotteries and bingo.
- **Payments and Services**, operates activities for payment and financial services such as: *(i)* payment of bills, utilities, fines, taxes, subscriptions etc.; *(ii)* top-up of prepaid debit cards; *(iii)* mobile phone top-ups and pay-for-view TV cards and also *(iv)* marketing of some products such as gadgets and mini-toys. The operating segment distributes the products and services of the Group through both the Branded and Affiliated Channels—the latter also including the 6,605 Service Only points of sale as at December 31, 2015—through the web portal sisalpay.it.

The following table presents: i) Revenues and income; ii) Revenues and income net of revenues paid back to the revenue chain; and iii) EBITDA of the operating segments identified according to the change in the management and monitoring of the Group's business for the years ended December 31, 2015, 2014 and 2013:

	Year ended December 31,					
	2015		2014		2013	
(In thousands of Euro)	Revenues and income	EBITDA	Revenues and income	EBITDA	Revenues and income	EBITDA
Retail Gaming						
Revenues	280,131		305,296		250,671	
Supply chain/other revenues	207,792		224,934		240,982	
Total	**487,923**	**75,412**	**530,230**	**90,455**	**491,653**	**80,847**
Lottery						
Revenues	74,332		84,571		98,269	
Supply chain/other revenues	207		59		129	
Total	**74,539**	**27,752**	**84,630**	**27,823**	**98,398**	**36,655**
Online Gaming						
Revenues	55,503		51,658		45,777	
Supply chain/other revenues	(7,685)		(6,819)		(6,013)	
Total	**47,818**	**21,812**	**44,839**	**18,832**	**39,764**	**13,815**
Payments and Services						
Revenues	98,764		88,082		74,647	
Supply chain/other revenues	75,895		70,138		66,538	
Total	**174,659**	**59,021**	**158,220**	**53,446**	**141,185**	**45,867**
Other revenues	2,138		3,059		1,337	
Total Revenues/ EBITDA of the operating segments	**787,077**	**183,997**	**820,978**	**190,556**	**772,337**	**177,184**

In 2015 the Group defined a more precise allocation criteria of Points of sale revenues amongst the operating segments. For better comparability of data, 2014 and 2013 figures have been restated accordingly.

Total Revenues by segment are entirely related to income from third parties since there are no intersegment revenues.

Other revenues include the result of business and activities which do not represent an operating segment under IFRS 8 and are mainly related to contingent assets, capital gains on fixed asset disposals and other residual items.

The reconciliation between the EBITDA of the operating segments and EBIT, or Operating profit (loss), is presented in the following table:

	Year ended December 31,		
(In thousands of Euro)	2015	2014	2013
Total operating segments	**183,997**	**190,556**	**177,184**
Non recurring expenses and income	(31)	(5,144)	(82,079)
Non recurring Impairment losses	(19,476)	—	—
Items with different classification	(1,665)	(1,712)	(1,715)
Amortization of intangible assets	(57,486)	(56,874)	(53,397)

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Depreciation of property, plant and equipment	(40,776)	(43,950)	(42,511)
Other impairment losses on fixed assets	(511)	(189)	(335)
Impairment losses on current receivables	(11,950)	(12,363)	(9,228)
Net operating profit (loss) (EBIT)	**52,102**	**70,324**	**(12,081)**

Items with different classification are related to income and charges, different from depreciation, amortization and impairment losses, included in EBIT in the consolidated financial statements, but not included in the operating profit definition by operating segment.

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

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

8. Revenues

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Gaming revenues	473,691	504,267	483,092
Payments and other services revenues	137,448	124,132	110,266
Points of sale revenues	78,372	78,458	80,904
Other revenues from third parties	4,292	8,380	2,890
Total	**693,803**	**715,237**	**677,152**

Gaming and betting revenues are analyzed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
NTNG revenues	39,938	44,854	52,061
Gaming machines revenues	367,714	396,060	395,581
Horse race betting revenues	9,430	9,987	12,620
Big bets revenues	33	33	41
Virtual races revenues	30,214	29,700	54
Sports pools revenues	636	705	822
Online game revenues	24,995	21,483	20,535
Bingo revenues	731	1,445	1,378
Total	**473,691**	**504,267**	**483,092**

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

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

9. Fixed-odds betting income

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Fixed-odds sports betting income	88,810	99,009	85,561
Fixed-odds horse race betting income	302	245	275
Reference horse race betting income	451	442	520
Total	**89,563**	**99,696**	**86,356**

10. Other revenues and income

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Income arising from changes in estimates	2,978	3,926	7,450
Other sundry income	733	2,119	1,379
Total	**3,711**	**6,045**	**8,829**

11. Purchases of materials, consumables and merchandise

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Gaming materials purchases	5,122	5,220	3,838
Sundry materials purchases	3,537	4,495	2,862
Spare parts purchases	2,268	2,836	3,464
Warehousing	156	156	209
Change in inventories	(689)	(1,099)	284
Total	**10,394**	**11,608**	**10,657**

12. Costs for services

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Marketing and commercial expenses	11,467	19,116	16,761
Other commercial initiatives	7,542	8,723	7,137
Other commercial services	1,045	1,138	1,130
Commercial services	**20,054**	**28,977**	**25,027**
Sales channel—Gaming	254,205	272,772	264,509
Sales channel—Payment services	76,413	66,566	66,872
Consulting	13,238	15,327	13,401
Other service costs	81,551	87,139	83,762
Other services	**425,407**	**441,804**	**428,544**
Total	**445,461**	**470,781**	**453,571**

The fees paid to the audit firm for audit of the annual financial statements of the Parent and the subsidiaries amount to (net of VAT) Euros 352 thousand (Euros 363 thousand in 2014 and Euros 337 thousand in 2013). In addition, fees paid to the audit firm for auditing procedures of a recurring nature carried out principally in connection with the various obligations required for the NTNG concession amount to Euros 67 thousand (Euros 66 thousand in 2014 and Euros 60 thousand in 2013).

The compensation due to the statutory auditors of the Parent for carrying out their functions, also in other consolidated companies, amounts to a total of Euros 420 thousand (Euros 419 thousand in 2014 and Euros 449 thousand in 2013).

13. Lease and rent expenses

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Building leases	19,020	19,450	15,298
Other rentals and operating leases	5,228	5,818	5,418
Total	**24,248**	**25,268**	**20,716**

14. Personnel costs

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Salaries and wages	62,666	65,594	57,265
Social security contributions	20,085	20,800	18,311
Employee severance indemnities	5,126	5,132	4,658
Other personnel costs	2,586	980	1,064
Total	**90,463**	**92,506**	**81,298**

The decrease in personnel costs in 2015 compared to 2014 is largely due to a reduced average headcount in the Group, while the increase in personnel costs in 2013 compared to 2014 is due to a higher average headcount. The following table sets forth the average number of employees by category for the years under review.

	Year ended December 31, 2015	2014	2013
Average number of employees			
Executives	48	49	47
Management staff	125	125	118
White-collar	1,703	1,768	1,559
Blue-collar	70	58	54
Total	**1,946**	**2,000**	**1,778**

15. Other operating costs

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Other taxes and duties	2,775	3,215	2,890
Gifts and donations	1,510	1,435	960
Gaming concession fees	18,748	19,168	19,585
Sundry operating costs	11,869	12,007	84,432
Total	**34,902**	**35,825**	**107,867**

The gaming concession fees refer mainly to the concession fees due under existing regulations on the collection of gaming revenues with gaming machines, sports betting and horse and sports games and NTNG games.

With regard to sundry operating costs in 2013, it should be noted that on November 8, 2013, the Court of Auditors confirmed the decree issued previously by its council chambers against the Group for the reduced payment settlement of the gaming machines litigation fixing the amount due by the Group at Euros 76,475 thousand (of which Euros 73,500 thousand was recognized in sundry operating costs and Euros 3,170 thousand in interest expenses).

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

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Amortization of intangible assets	57,486	56,874	53,397
Depreciation of property, plant and equipment	40,776	43,950	42,511
Other impairment losses on fixed assets	19,987	189	336
Impairment losses on current receivables	11,950	12,363	9,228
Accruals to provisions for risks and charges	(692)	1,290	4,837
Total	**129,507**	**114,666**	**110,309**

Other impairment losses on fixed assets are mainly related to the impairment of the goodwill allocated to the "cash generating unit Agencies" as better described in the following note 22.

17. Finance income and similar

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Finance income bank accounts	160	454	1,702
Finance income guarantee deposits	286	372	230
Other finance income	57	377	305
Total	**503**	**1,203**	**2,237**

18. Finance expenses and similar

This item is composed as follows:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Interest and other finance expenses—related parties	41,773	45,515	43,235
Interest and other finance expenses—third parties	43,036	45,455	43,567
Exchange (gains) losses realized	40	54	(4)
Exchange (gains) losses unrealized	(3)	7	—
Total	**84,846**	**91,031**	**86,798**

Interest and other finance expenses—related parties refer to expenses on the loans outstanding with the company Gaming Invest, the sole shareholder of the Parent, as commented in Note 34.

Interest and other finance expenses—third parties refer to the Senior Credit Agreement and Senior Secured Notes commented in Note 34.

19. Income taxes

Income taxes comprise the following:

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Current income taxes	3,586	22,896	5,832
Current income tax adjustments relating to prior years	229	(17,995)	(296)
Deferred tax assets adjustments related to prior years	2,672	(4,979)	—
Deferred tax assets and liabilities	925	(18,638)	(3,338)
Total	**7,412**	**(18,716)**	**2,198**

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

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Loss before income taxes	**(32,299)**	**(19,715)**	**(96,607)**
Nominal tax rate	27.5%	27.5%	27.5%
Theoretical tax using the nominal tax rate	(8,882)	(5,422)	(26,567)
Non-deductible interest expense	2,248	2,243	2,261
Benefits for partial IRAP deductibility	—	(73)	(211)
Impairment Losses on goodwill	5,356	—	—
Non deductible sanctions	—	—	20,268
Other movements	2,633	1,450	1,509
Effective IRES tax	**1,355**	**(1,802)**	**(2,740)**
Effective IRAP tax	**2,688**	**6,060**	**5,234**
Current and deferred income tax adjustments related to prior year	3,369	(22,974)	(296)
Total effective tax expense (benefit)	**7,412**	**(18,716)**	**2,198**

The tax adjustments related to prior year in 2015 include, moreover, the impact of the IRES nominal tax rate from 27.5% to 24% as provided by the 2016 Stability Law with effect from January 1, 2017, which affected, in particular, deferred tax assets due to carryforward losses. The corresponding figure for 2014 was affected by the recognition of one-off income of around Euros 23 million relating to a tax credit from recognition of the full deductibility, based on the positive outcome of specific action to finalize the Slots litigation.

20. Earnings per share

The calculation of earnings per share is presented in the table below. In particular, there were no changes in the number of shares forming the share capital of the Parent during the course of the three years ended December 31, 2015, 2014 and 2013.

(In thousands of Euro)	Year ended December 31, 2015	2014	2013
Number of shares outstanding (in thousands)	102,500	102,500	102,500
Loss attributable to owners of the parent	(39,820)	(1,339)	(99,084)
Basic loss per share (in Euro)	(0.39)	(0.01)	(0.97)
Diluted loss per share (in Euro)	(0.39)	(0.01)	(0.97)

The shares which form share capital are ordinary shares and there are no obligations for the payment of preferred dividends or other privileges to which the Group's result must be allocated. There are no instruments with a potential dilutive effect on the loss per share of the Group.

21. Property, plant and equipment

The composition and changes in property, plant and equipment are as follows:

(In thousands of Euro)	January 1, 2015	Investments	Depreciation and impairments	Disinvestments	December 31, 2015
Land and buildings:					
Original cost	48,594	1,167	—	(1,149)	48,613
Accumulated depreciation	(17,486)	—	(4,221)	738	(20,969)
Impairments	—	—	—	—	—
Net book value	**31,108**	**1,167**	**(4,221)**	**(411)**	**27,643**
Plant and machinery:					
Original cost	28,539	2,373	—	(10)	30,903
Accumulated depreciation	(20,076)	—	(2,738)	7	(22,808)
Impairments	(1)	—	—	—	(1)
Net book value	**8,462**	**2,373**	**(2,738)**	**(3)**	**8,094**

(In thousands of Euro)	January 1, 2015	Investments	Depreciation and impairments	Disinvestments	December 31, 2015
Industrial and commercial equipment:					
Original cost	356,863	19,511	—	(5,914)	370,460
Accumulated depreciation	(285,808)	—	(30,963)	5,736	(311,035)
Impairments	(1,589)	—	(511)	2	(2,098)
Net book value	**69,466**	**19,511**	**(31,474)**	**(176)**	**57,327**
Other assets:					
Original cost	33,498	2,124	—	(209)	35,413
Accumulated depreciation	(21,784)	—	(2,854)	183	(24,454)
Impairments	(186)	—	—	—	(186)
Net book value	**11,529**	**2,124**	**(2,854)**	**(26)**	**10,773**
Construction in progress:					
Original cost	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—
Impairments	—	—	—	—	—
Net book value	**—**	**—**	**—**	**—**	**—**
Total:					
Original cost	467,494	25,176	—	(7,282)	485,388
Accumulated depreciation	(345,154)	—	(40,776)	6,663	(379,266)
Impairments	(1,776)	—	(511)	2	(2,285)
Net book value	**120,565**	**25,176**	**(41,287)**	**(616)**	**103,837**

(In thousands of Euro)	January 1, 2014	Investments	Depreciation and impairments	Disinvestments	Reclassifications	December 31, 2014
Land and buildings:						
Original cost	45,024	2,627	—	(1)	944	48,594
Accumulated depreciation	(13,554)	—	(3,932)	—	—	(17,486)
Impairments	—	—	—	—	—	—
Net book value	**31,470**	**2,627**	**(3,932)**	**(1)**	**944**	**31,108**
Plant and machinery:						
Original cost	26,606	1,953	—	(20)	—	28,539
Accumulated depreciation	(17,389)	(7)	(2,690)	10	—	(20,076)
Impairments	(1)	—	—	—	—	(1)
Net book value	**9,216**	**1,946**	**(2,690)**	**(10)**	**—**	**8,462**
Industrial and commercial equipment:						
Original cost	342,213	25,373	—	(10,746)	23	356,863
Accumulated depreciation	(261,606)	(7)	(34,672)	10,481	(4)	(285,808)
Impairments	(1,402)	—	(189)	2	—	(1,589)
Net book value	**79,205**	**25,366**	**(34,861)**	**(263)**	**19**	**69,466**
Other assets:						
Original cost	30,200	3,534	—	(214)	(22)	33,498
Accumulated depreciation	(19,241)	(96)	(2,656)	205	4	(21,784)
Impairments	(186)	—	—	—	—	(186)
Net book value	**10,773**	**3,438**	**(2,656)**	**(9)**	**(18)**	**11,529**
Construction in progress:						
Original cost	943	—	—	—	(943)	—

(In thousands of Euro)	January 1, 2014	Investments	Depreciation and impairments	Disinvestments	Reclassifications	December 31, 2014
Accumulated depreciation	—	—	—	—	—	—
Impairments	—	—	—	—	—	—
Net book value	**943**	**—**	**—**	**—**	**(943)**	**—**
Total:						
Original cost	444,986	33,487	—	(10,981)	2	467,494
Accumulated depreciation	(311,790)	(110)	(43,950)	10,696	—	(345,154)
Impairments	(1,589)	—	(189)	2	—	(1,776)
Net book value	**131,607**	**33,377**	**(44,139)**	**(283)**	**2**	**120,565**

(In thousands of Euro)	January 1, 2013	Increases	Depreciation and impairments	Disposals	December 31, 2013
Land and buildings:					
Original cost	30,769	14,255	—	—	45,024
Accumulated depreciation	(11,124)	(45)	(2,385)	—	(13,554)
Impairments	—	—	—	—	—
Net book value	**19,645**	**14,210**	**(2,385)**	**—**	**31,470**
Plant and machinery:					
Original cost	24,309	2,297	—	—	26,606
Accumulated depreciation	(14,863)	(13)	(2,513)	—	(17,389)
Impairments	(1)	—	—	—	(1)
Net book value	**9,445**	**2,284**	**(2,513)**	**—**	**9,216**
Industrial and commercial equipment:					
Original cost	322,632	28,413		(8,841)	342,204
Accumulated depreciation	(232,085)	(2,292)	(35,963)	8,743	(261,597)
Impairments	(1,066)		(336)		(1,402)
Net book value	**89,481**	**26,121**	**(36,299)**	**(98)**	**79,205**
Other assets:					
Original cost	25,695	4,529	—	(24)	30,200
Accumulated depreciation	(17,472)	(127)	(1,650)	8	(19,241)
Impairments	(186)	—	—	—	(186)
Net book value	**8,037**	**4,402**	**(1,650)**	**(16)**	**10,773**
Construction in progress:					
Original cost	—	943	—	—	943
Accumulated depreciation	—	—	—	—	—
Impairments	—	—	—	—	—
Net book value	**—**	**943**	**—**	**—**	**943**
Total:					
Original cost	403,405	50,437	—	(8,865)	444,977
Accumulated depreciation	(275,544)	(2,477)	(42,511)	8,751	(311,781)
Impairments	(1,253)	—	(336)	—	(1,589)
Net book value	**126,608**	**47,960**	**(42,847)**	**(114)**	**131,607**

"*Industrial and commercial equipment*" includes assets under finance leases whose net value was Euros 4,722 thousand at December 31, 2015 (Euros 7,509 thousand at December 31, 2014).

Year 2015

Investments made in 2015 totaled approximately Euros 25 million and regard mainly:

- investments in new "Series 6A" slot machines, access points (PdAs) and change machines of Euros 10.7 million;

- investments in gaming and services equipment such as the Big Touch and Microlot terminals for approximately Euros 3.5 million;
- network hardware as well as display equipment for points of sale of approximately Euros 5.5 million;
- investments in plant, furniture and restructuring work of the points of sale of around Euros 5.3 million.

Year 2014

Investments made in 2014 totaled approximately Euros 33 million and regard mainly:

- investments in new "Series 6A" slot machines, access points (PdAs) and change machines of around Euros 9.4 million;
- investments in gaming and services equipment such as the Big Touch and Microlot terminals and more than 14,000 POS of approximately Euros 7.1 million;
- network hardware as well as display equipment for points of sale of approximately Euros 7.4 million;
- investments in plant, furniture and restructuring work of the points of sale of more than Euros 7.5 million.

Year 2013

The additions in 2013 total approximately Euros 50 million and regard mainly:

- investments in new "Series 6A" slot machines, access points (PdAs) and change machines of Euros 9.3 million;
- purchase of new-generation gaming and services equipment such as the Big Touch and Microlot terminals and more than 28,000 POS of approximately Euros 5.1 million;
- purchase of network hardware as well as display equipment for points of sale of approximately Euros 6 million;
- investments in plant, furniture and restructuring work of the points of sale of more than Euros 9 million;
- aggregate of property, plant and equipment acquired by the Group in business combinations concluded during the year of approximately Euros 18 million.

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

(In thousands of Euro)	**Net book value As of December 31, 2015**	**Leasing installments 2015**	**Residual debt As of December 31, 2015**	**Residual leasing installments As of December 31, 2015**
Microlot gaming terminals	586	—	—	—
Big Touch G.T. (industrial & commercial equipment)	361	211	180	183
POS G.T. (industrial & commercial equipment)	3,335	1,009	1,411	1,447
HW (industrial & commercial equipment)	313	104	304	342
Slot machines Series 6A	127	43	—	—
Total	**4,722**	**1,367**	**1,895**	**1,972**

In thousands of Euro)	**Net book value As of December 31, 2014**	**Leasing installments 2014**	**Residual debt As of December 31, 2014**	**Residual leasing installments As of December 31, 2014**
Microlot gaming terminals	2,256	1,454	—	—
Big Touch G.T. (industrial & commercial equipment)	506	211	380	394
POS G.T. (industrial & commercial equipment)	4,143	1,323	2,358	2,457
HW (industrial & commercial equipment)	402	78	383	446
Slot machines Series 6A	202	115	40	43
Total	**7,509**	**3,181**	**3,161**	**3,340**

(In thousands of Euro)	Net book value As of December 31, 2013	Leasing installments 2013	Residual debt As of December 31, 2013	Residual leasing installments As of December 31, 2013
Microlot gaming terminals	4,427	3,373	1,439	1,454
Big Touch G.T. (industrial & commercial equipment)	651	160	572	604
POS G.T. (industrial & commercial equipment)	2,997	—	2,098	2,213
HW (industrial & commercial equipment)	447	—	447	524
Slot machines Series 6A	286	183	142	151
Total	**8,808**	**3,716**	**4,698**	**4,946**

There are no mortgages or liens on any of the property, plant and equipment owned by the Group.

22. Goodwill

The carrying amount of goodwill is Euros 860,912 thousand at December 31, 2015 and was originally generated by the acquisition of the Sisal Group at the end of 2006 for a total Euros 1,053.1 million.

In the following years goodwill increased due to other acquisitions made by the Group principally for companies and businesses regarding legal gaming with gaming machines and horse and sports betting, but also recognized significant impairment losses as a result of carrying out impairment tests.

The gross carrying amount of goodwill and the relative accumulated impairment losses at the various year-end dates are the following:

	As of December 31,		
(In thousands of Euro)	2015	2014	2013
Gross carrying amount	1,103,444	1,103,034	1,103,080
Accumulated impairment losses	(242,532)	(223,056)	(223,056)
Total	**860,912**	**879,978**	**880,024**

The changes in goodwill in 2015 are as follows:

	As of December 31,		
(In thousands of Euro)	2015	2014	2013
Balance at January 1	879,978	880,024	869,564
Acquisitions	410	146	10,460
Impairments	(19,476)	—	—
Other changes	—	(192)	—
Balance at December 31	**860,912**	**879,978**	**880,024**

The change recorded in 2015 refers to the increase following the acquisition of a business unit for the management of horse-racing and sports betting, and the decrease following the impairment loss recognized after impairment tests, as discussed in greater detail below.

The change in goodwill in 2014 refers to business combinations relating to the acquisitions of Maxima, carried out in 2013 (decrease of Euros 192 thousand following the deed of acknowledgement) and Acme (increase of Euros 146 thousand).

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

Goodwill was tested for impairment at December 31, 20152014, and 2013 in accordance with international accounting standards. Specifically, operating cash flows were measured to determine the recoverable amount, equal to the value in use of the identified CGUs by applying the discounted cash flow method.

For the purpose of impairment testing, the Group uses five-year cash flow projections approved by management on the basis of growth rates differentiated according to the historical trends of the various products and relative reference markets.

The growth rate used to estimate cash flows beyond the explicit projected period was determined on the basis of market data and information available to management according to reasonable projections of estimated sector growth in the long term and is equal to 1.55% at December 31, 2015 (2.3% at December 31, 2014, and 2.85% at December 31, 2013). In the case of impairment of an individual asset relating to the concessions or rights to collect receipts for gaming products, where necessary, the projections are extended for the number of years' duration of the concession being tested.

The rate used to discount cash flows to present value is equal to a WACC of 7.2% at December 31, 2015 (7.26% at December 31, 2014, and 8.49% at December 31, 2013), derived from the weighted average cost of capital of 9.8% (9% at December 31, 2014, and 9.5% at December 31, 2013)—inclusive of a Market Risk Premium of 8.8% (8.6% at December 31, 2014, and 4.39% at December 31, 2013) and the after-tax cost of debt of 3.9% (3.98% at December 31, 2014 and 4.21% at December 31, 2013).

The Group is currently organized into four operating segments: Retail Gaming, Lottery, Online Gaming and Payments and Services.

The operating segments are composed of the following cash-generating units (CGUs).

In particular:

- in the "Retail Gaming" operating segment, the following CGUs were identified:

  "**Agencies**", which include the flows from activities of providing and managing gaming machines (New Slots and VLTs) through the Sisal Match Point agencies, as well as the flows deriving from gaming halls and betting through the "Bersani" concessions;

  "**Retail—WinCity**", which comprises the cash flows from gaming machines (New Slots and VLTs) and betting from the new Sisal WinCity network of points of sale;

  "**Network**", which comprises the flows from activities of providing and managing the New Slot machines owned by the Group and the VLTs placed at businesses owned by third parties;

  "**Providing**" which includes all the flows from interconnected gaming machines only;
- the "Lottery" operating segment coincides with the CGU of the same name which primarily refers to cash flows from National Tote Number Games (NTNGs, including SuperEnalotto);
- the "Online Gaming" operating segment coincides with the CGU of the same name which comprises all the games distributed online;
- the "Payments and Services" operating segment coincides with the CGU of the same name which includes activities channeled through the Sisal network of services rendered to the public such as mobile phone top-ups and payments of bills, etc.

The future cash flows used for purposes of the impairments test at December 31, 2015 included estimates of the impacts related to increased taxation and other measures introduced to the games sector by the 2016 Stability Law and better described under note 45. "Significant events occurring after the end of the year".

The related earning reduction affected in particular the "Retail Gaming" segment and implied a partial goodwill impairment loss for Euros 19,476 thousand with an impact on the "Agencies" CGU.

Goodwill at December 31, 2015,2014 and 2013 is allocated to the different operating segments as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Retail Gaming	426,676	445,742	445,788
o/w: Agencies	213,139	*232,205*	*232,205*
Retail—WinCity	2,052	*2,052*	*2,052*
Network	173,833	*173,833*	*173,879*
Providing	37,652	*37,652*	*37,652*
Lottery	156,622	156,622	156,622
Online Gaming	140,908	140,908	140,908

(In thousands of Euro)	As of December 31, 2015	2014	2013
Payment and Services	136,706	136,706	136,706
Total	**860,912**	**879,978**	**880,024**

The excess of the recoverable amount of the operating segments at December 31, 2015, 2014 and 2013 determined on the basis of the parameters described above, compared with the relative carrying amount already expressed net of the above-mentioned impairment loss, is as follows:

(In thousands of Euro)	As of December 31, 2015	2014	2013
Retail Gaming	61,128	285,179	329,526
o/w: Agencies	—	*83,083*	*21,561*
Retail—WinCity	24,963	*28,798*	*80,625*
Network	35,124	*135,202*	*196,301*
Providing	1,041	*38,096*	*31,039*
Lottery	114,834	146,661	68,249
Online Gaming	133,823	79,244	35,918
Payment and Services	523,634	515,994	597,628
Total	**833,419**	**1,027,078**	**1,031,321**

The values of Terminal Growth rate and WACC, considered individually and without changes in other assumptions, required to render the recoverable amount of the operating segments equal to their carrying amount are indicated in the following table:

Base value	WACC	Growth rate	WACC	Growth rate	WACC	Growth rate
	2015		2014		2013	
Retail Gaming	7.80 %	0.70 %	9.50 %	(0.90 %)	11.30 %	(1.30 %)
Lottery	9.80 %	(1.71 %)	10.30 %	(1.73 %)	10.20 %	0.75 %
Online Gaming	12.60 %	(7.12 %)	10.00 %	(1.37 %)	9.80 %	1.13 %
Payments and Services	27.40 %	(152.30 %)	23.70 %	(65.30 %)	27.30 %	(63.30 %)

23. Intangible assets

The composition and changes in intangible assets are as follows:

(In thousands of Euro)	January 1, 2015	Investments	Amortization and impairments	Disinvestments	31 December, 2015
Patent rights and intellectual property					
Original cost	67,941	9,917		(75)	77,784
Accumulated amortization	(56,088)	—	(10,344)	74	(66,359)
Impairments	(6)				(6)
Net book value	**11,847**	**9,917**	**(10,344)**	**(1)**	**11,419**
Concessions, licenses, trademarks and similar rights	—				—
Original cost	641,047	3,225		(1,662)	642,610
Accumulated amortization	(419,666)		(47,142)	1,623	(465,185)
Impairments	(47,667)				(47,667)
Net book value	**173,714**	**3,225**	**(47,142)**	**(39)**	**129,758**
Other intangible assets	—				—
Original cost	—	181	—	—	181
Accumulated amortization	—	—	—	—	—

(In thousands of Euro)	January 1, 2015	Investments	Amortization and impairments	Disinvestments	31 December, 2015
Impairments	—	—	—	—	—
Net book value	**—**	**181**	**—**	**—**	**181**
Total:	—				—
Original cost	708,988	13,323	—	(1,736)	720,575
Accumulated amortization	(475,754)	—	(57,486)	1,696	(531,544)
Impairments	(47,673)	—	—	—	(47,673)
Net book value	**185,561**	**13,323**	**(57,486)**	**(40)**	**141,359**

(In thousands of Euro)	January 1, 2014	Investments	Amortization and impairments	Disinvestments	31 December, 2014
Patent rights and intellectual property					
Original cost	58,060	9,893		(12)	67,941
Accumulated amortization	(45,995)	—	(10,101)	8	(56,088)
Impairments	(6)				(6)
Net book value	**12,059**	**9,893**	**(10,101)**	**(4)**	**11,847**
Concessions, licenses, trademarks and similar rights					
Original cost	637,378	3,669		—	641,047
Accumulated amortization	(372,896)		(46,773)	3	(419,666)
Impairments	(47,667)				(47,667)
Net book value	**216,815**	**3,669**	**(46,773)**	**3**	**173,714**
Other intangible assets					
Original cost	—	—	—	—	—
Accumulated amortization	—	—	—	—	—
Impairments	—	—	—	—	—
Net book value	**—**	**—**	**—**	**—**	**—**
Total:					
Original cost	695,438	13,562	—	(12)	708,988
Accumulated amortization	(418,891)	—	(56,874)	11	(475,754)
Impairments	(47,673)	—	—	—	(47,673)
Net book value	**228,874**	**13,562**	**(56,874)**	**(1)**	**185,561**

(In thousands of Euro)	January 1, 2013	Investments	Amortization and impairments	Disinvestments	Reclassifications	December 31, 2013
Patent rights and intellectual property						
Original cost	48,964	9,052		(55)	99	58,060
Accumulated amortization	(36,434)	(9)	(9,589)	37		(45,995)
Impairments	(6)					(6)
Net book value	**12,524**	**9,043**	**(9,589)**	**(18)**	**99**	**12,059**
Concessions, licenses, trademarks and similar rights						
Original cost	613,960	24,634		(1,220)	4	637,378
Accumulated amortization	(329,809)		(43,808)	725	(4)	(372,896)
Impairments	(47,667)					(47,667)
Net book value	**236,484**	**24,634**	**(43,808)**	**(495)**	**—**	**216,815**
Other intangible assets						
Original cost	100	—	—	—	(100)	—
Accumulated amortization	—	—	—	—	—	—
Impairments	—	—	—	—	—	—

(In thousands of Euro)	January 1, 2013	Investments	Amortization and impairments	Disinvestments	Reclassifications	December 31, 2013
Net book value	**100**	**—**	**—**	**—**	**(100)**	**—**
Total:						
Original cost	663,024	33,686	—	(1,275)	3	695,438
Accumulated amortization	(366,243)	(9)	(53,397)	762	(4)	(418,891)
Impairments	(47,673)	—	—	—	—	(47,673)
Net book value	**249,108**	**33,677**	**(53,397)**	**(513)**	**(1)**	**228,874**

Year 2015

In 2015, investments in intangible assets amount to approximately Euros 13.3 million, composed mainly as follows:

- purchase and development of software for the management of business operations for approximately Euros 12 million;
- new concession rights for approximately Euros 1.2 million.

The total amortization charge includes approximately Euros 13 million (approximately Euros 13 million in 2014), for the higher value allocated to the concession rights and the trademarks owned by the Group as a result of accounting for the effects of the purchase of the Sisal Group concluded in prior years.

Year 2014

In 2014, additions to intangible assets amounted to approximately Euros 13.5 million and are composed as follows:

- purchase and development of software for the management of business operations for approximately Euros 12 million;
- new concessions for approximately Euros 1.0 million.

The total amortization charge includes approximately Euros 13 million, for the higher value allocated to the concession rights and the trademarks owned by the Group as a result of accounting for the effects of the purchase of the Sisal Group concluded in prior years.

Year 2013

In 2013 additions to intangible assets amount to approximately Euros 33 million and are composed as follows:

- purchase and development of software for the management of business operations for approximately Euros 14 million;
- new concessions for Euros 16.4 million, of which Euros 9 million refers to 600 new VLT concessions and Euros 6.6 million for the award of 225 concessions for gaming and betting;
- aggregate of intangible assets acquired by the Group through business combinations concluded during the year for approximately Euros 3 million.

The total amortization charge includes approximately Euros 13 million, for the higher value allocated to the concession rights and the trademarks owned by the Group as a result of accounting for the effects of the purchase of the Sisal Group concluded in prior years.

24. Deferred tax assets and liabilities

Deferred tax assets and liabilities are composed as follows:

	As of December 31,		
(In thousands of Euro)	2015	2014	2013
Total deferred tax assets	**25,173**	**31,938**	**11,809**
Total deferred tax liabilities	**(12,876)**	**(15,858)**	**(19,847)**
Net amount	**12,297**	**16,080**	**(8,038)**

Net changes are as follows:

(In thousands of Euro)	As of December 31, 2015	2014	2013
At January 1,	**16,080**	**(8,038)**	**(11,366)**
Charge/release to income statement	(1,025)	23,617	3,339
Charge/release to statement of comprehensive income	(186)	501	(11)
Used for tax consolidation	(2,572)	—	—
At December 31,	**12,297**	**16,080**	**(8,038)**

Deferred tax assets are summarized in the following table:

(In thousands of Euro)	As of December 31, 2015		2014		2013	
	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Allocation to provision for impairment of receivables	45,207	11,084	42,240	11,616	35,485	9,758
Allocation to provision for risks and charges	11,193	3,229	15,083	4,733	24,048	7,093
Severance indemnity discounting deducted out of books	884	212	1,672	460	—	—
Maintenance expenses	—	—	4,512	1,241	7,361	2,024
Other temporary differences	19,623	5,601	24,224	6,950	17,819	5,289
Losses from tax consolidation	58,626	14,246	67,977	18,694	—	—
Total Gross deferred tax assets	**135,533**	**34,372**	**155,708**	**43,694**	**84,713**	**24,164**
Amount offset against deferred tax liabilities	**(32,042)**	**(9,199)**	(37,306)	(11,756)	(40,482)	(12,355)
Total deferred tax assets	**103,491**	**25,173**	**118,402**	**31,938**	**44,231**	**11,809**
Temporary differences excluded from the deferred tax computation	2,014	554	2,014	554	2,014	554

The Group expects to have sufficient taxable income in the future to recover deferred tax assets.

The temporary differences excluded from the computation of deferred tax assets relate to losses, reported by the Parent in the first year of operations (which can be carried forward for an unlimited period of time) prior to opting for tax consolidation, on which deferred tax assets have not been recorded, based on the probability, supported by current information, of realizing future taxable income against which the losses can be applied.

Deferred tax liabilities are summarized in the following table:

(In thousands of Euro)	As of December 31, 2015		2014		2013	
	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect	Temporary differences (Amount)	Tax effect
Amortization/depreciation deducted out of books	36,109	10,331	39,296	12,459	59,258	17,977
Business combinations	27,761	8,004	32,781	10,392	27,868	8,430
Other temporary differences	11,102	3,740	15,169	4,763	16,005	5,795
Total Gross deferred tax liabilities	**74,972**	**22,075**	**87,246**	**27,614**	**103,131**	**32,202**
Reversal of quota of non-current deferred taxes	(32,042)	(9,199)	(37,306)	(11,756)	(40,482)	(12,355)
Total deferred tax liabilities	**42,930**	**12,876**	**49,940**	**15,858**	**62,649**	**19,847**

25. Other non-current assets

Other non-current assets amount to Euros 23,155 thousand at December 31, 2015 (Euros 24,825 thousand at December 31, 2014 and Euros 29,152 thousand at December 31, 2013) and mainly comprise VAT receivables for refunds requested upon presentation of the VAT return for 2008 and 2007 (respectively for Euros 6,305 thousand and Euros 3,906 thousand) and the interest accrued on such amounts. They also include guarantee deposits (a capitalization type policy) activated by Sisal S.p.A. in 2013 with the Assicurazioni Generali group which became the guarantor in favor of AAMS for the 19 installment payments of the penalty for failure to reach the guaranteed minimum on NTNG games; this deposit amounts to Euros 4,195 thousand at December 31, 2015, (Euros 7,535 thousand and Euros 12,218 thousand at December 31, 2014 and 2013, respectively, including the return accrued to date.

26. Inventories

This item is composed as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Playslips	431	223	295
Rolls of paper for gaming terminals	565	384	258
VLT tickets	27	36	39
Spare parts (repairs)	4,075	4,168	3,833
Spare parts (consumables)	1,439	1,403	1,027
Materials, auxiliaries and consumables	**6,537**	**6,214**	**5,452**
Top-up and scratch cards	**243**	398	82
Virtual top-ups	**4,506**	2,019	3,399
Mini-toys	**4**	65	77
Finished gaming machines inventory	**—**	237	—
Finished gaming machines and merchandise	**4,753**	**2,719**	**3,558**
Semifinished products inventory	12	32	—
Semi-finished products	**12**	**32**	**—**
Total	**11,302**	**8,965**	**9,010**

Inventories are shown net of the provision for inventory obsolescence. Changes in the provision are as follows:

(In thousands of Euro)	**Provision for inventory obsolescence**
As of January 1, 2013	**1,838**
Net charge	390
Release	(216)
As of December 31, 2013	**2,012**
Net charge	573
Usage	(64)
As of December 31, 2014	**2,521**
Net charge	432
Usage	(323)
As of December 31, 2015	**2,630**

27. Trade receivables

This item is composed as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**

(In thousands of Euro)	As of December 31, 2015	2014	2013
Receivables from points of sale	102,758	97,336	86,402
Trade receivables from gaming machines network	12,965	13,485	14,497
Trade receivables from betting agencies	11,450	12,144	11,622
Trade receivables from third parties	4,478	3,283	2,627
Other trade receivables from third parties	2,366	2,288	2,177
Doubtful receivables	70,837	62,219	51,492
Provision for impairment of receivables	(60,456)	(55,479)	(46,165)
Total	**144,398**	**135,276**	**122,652**

Receivables from points of sale represent amounts due to the Group for bets placed on the last games in December and for payment services performed in the same month.

Trade receivables from network represent the sums due from the customer network of gaming machines for which Sisal Entertainment S.p.A., as the concessionaire, offers the interconnecting service to the AAMS computer network. These receivables are composed of the fee of the concessionaire, the PREU tax and the AAMS concession fee.

Trade receivables from betting agencies represent wagers on horse and sports events, accepted by the agencies operating under partnership contracts, not yet paid into the Group's bank accounts.

Doubtful receivables represent unpaid outstanding amounts generated by receivables that were subject-to-collection, due mainly from retail outlets, on which recovery procedures and possibly legal actions were initiated, excluding amounts due on situations that can be resolved in the short term.

There are no foreign currency denominated trade receivables and the analysis by geographical area is not significant as all receivables are from domestic operators.

The changes in the provision for impairment of receivables are as follow:

(In thousands of Euro)	Provision for impairment of network trade receivables	Provision for impairment of other trade receivables	Total
At January 1, 2013	**(41,336)**	**(811)**	**(42,147)**
Increases	(9,105)	—	(9,105)
Decreases	5,249	120	5,369
Change in scope of consolidation	(282)	—	(282)
January 1, 2014	**(45,474)**	**(691)**	**(46,165)**
Net charge	(12,244)	(34)	(12,278)
Usage	2,964	—	2,964
December 31, 2014	**(54,754)**	**(725)**	**(55,479)**
Net charge	(11,907)	—	(11,907)
Usage	6,918	12	6,930
December 31, 2015	**(59,743)**	**(713)**	**(60,456)**

The increases recorded in 2015, 2014 and 2013 reflect the trend in debtor insolvency (particularly with reference to the outlet points of sale). The decreases during these years refer mainly to the write-off of doubtful positions, no longer considered recoverable.

28. Current financial assets

Current financial assets amounted to Euros 2 thousand at December 31, 2013 (zero at December 31, 2014 and 2015).

29. Tax receivable

This item is composed as follows:

(In thousands of Euro)	As of December 31, 2015	2014	2013
Receivables for IRES tax from tax authorities	1,040	3,086	4,056
Receivables for IRAP tax from tax authorities	396	566	595
Total	**1,436**	**3,652**	**4,651**

Receivables for IRES and IRAP taxes from the tax authorities are shown net of advance payments made during the year and reflect, respectively, the receivable positions of the tax group and of Sisal S.p.A. and Sisal Entertainment S.p.A.

30. Restricted bank deposits

Restricted bank deposits mainly include the balances of the accounts for the payment of winnings, including the amounts deposited for the special winnings of the Vinci per la Vita – Win for Life games and for the so-called SuperStar Reserve Fund which comprises the difference between the prize money available and the winnings payable calculated for each single game, in addition to the bank balances of the deposits made by online game players.

These deposits are managed by the Group but their use is restricted to payment of the cumulative winnings on the relative games and the payment of any winnings from online games.

Fluctuations in the total deposits mainly refer to the amount of the SuperEnalotto Jackpot at the end of the year and the prize monies for the Vinci per la Vita—Win for Life and SiVinceTutto SuperEnalotto games.

31. Cash and cash equivalents

This item is composed as follows:

(In thousands of Euro)	As of December 31, 2015	2014	2013
Bank and postal accounts	133,772	106,384	97,169
Cash and cash equivalents	5,971	7,308	7,135
Total	**139,743**	**113,692**	**104,304**

32. Other current assets

(In thousands of Euro)	As of December 31, 2015	2014	2013
Receivables from the Public Administration	24,695	26,725	25,222
Other receivables from tax authorities	3,738	8,902	10,456
Prepaid expenses	2,913	4,087	3,678
Other receivables from third parties	9,438	8,370	2,964
Other receivables from employees	388	466	417
Provision for impairment of other receivables	(96)	(132)	(307)
Total	**41,076**	**48,418**	**42,430**

Other receivables from third parties, equal to Euros 9,438 thousand (Euros 8,370 thousand at December 31, 2014 and Euros 2,964 thousand at December 31, 2013) are mainly related to the short term component, equal to Euros 3,799 thousand (Euros 3,905 thousand at December 31, 2014 and 2013), of the policy activated by Sisal S.p.A. as guarantee of the payment timing of the NTNG penalty charged to the company in 2012 and to the insurance policy, equal to Euros 1,827 thousand (Euros 1,510 thousand at December 31, 2014), activated by the same company to manage the NTNG game Win For life Vinci Casa, launched in July 2014.

Receivables from the Public Administration are mainly composed of receivables for security deposits with the AAMS, under the concessions relating to collections from legal gaming through gaming machines, equal to Euros 19,614 thousand at December 31, 2015 (Euros 19,795 thousand at December 31, 2014 and Euros 20,456 thousand at December 31, 2013).

Other receivables from tax authorities mainly refer to receivables for VAT.

Prepaid expenses mainly represent the prepaid portion of expenses not relating to the current year incurred for the issue of bank guarantees, rent and health insurance premiums.

33. Equity

Share capital

The share capital of the Company at December 31, 2015, fully subscribed and paid-in, is composed of 102,500,000 ordinary shares of par value Euro 1 each.

Other reserves

In order to allow participation in an effective system of manager incentives, some first-level managers of the Group have been granted the option of taking part in incentive plans of the shareholder Gaming Invest.

In particular, the incentive plans provide for the subscription, as employees of the Group, to equity instruments and debt instruments issued by Gaming Invest under a system that is more favorable than those granted to the shareholders of reference. The incentive plan is structured as an equity-settled share-based payment transaction under IFRS 2 and consequently is reflected as such in the financial statements of the Group.

The plans thus structured co-exist with similar incentive plans granted to the managers of the Group as part of the operation which in 2006 led to the change in the Group's shareholders of reference. Such plans have been granted to replace, in whole or in part, the previously existing plans, the costs of which had been reflected in the income statement of the various companies. The vesting period taken into account for the related cost accounting ended in the prior year with the failure of the Group listing process.

Non-controlling interests

The change in non-controlling interests is associated with the profit trend for the year and the effect of acquisition of a 40% non-controlling interest in the subsidiary Friulgames S.r.l., upon exercise of the put option by the minority shareholder, which led to a decrease in non-controlling interests of Euros 1,281 with a simultaneous increase of the same amount in Group equity.

34. Long-term debt

Long-term debt of the Group at December 31, 2015, 2014 and 2013, shown net of transaction charges in accordance with IFRS, is presented as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Senior Credit Agreement	**414,810**	**425,438**	**439,465**
Senior Secured Notes	**276,224**	**274,273**	**272,736**
Shareholder Loan	410,885	387,015	367,368
Subordinated Zero Coupon Shareholder Loan	—	—	82,697
Loans from related parties	**410,885**	**387,015**	**450,065**
Loans from other banks	1,795	2,220	2,739
Payables to other lenders—leasing contracts	1,896	3,161	4,698
Short-term debt—other	103	—	—
Other loans from third parties	**3,794**	**5,381**	**7,437**
Total	**1,105,713**	**1,092,107**	**1,169,703**
of which current	*54,246*	*54,451*	*61,813*
of which non-current	*1,051,467*	*1,037,656*	*1,107,890*

Long-term debt outstanding at December 31, 2015, including the current portion of long-term debt, amounts in total to Euros 1,106 million (Euros 1,092 million and Euros 1,170 million at December 31, 2014 and 2013 respectively) of which Euros 419 million or 38% (Euros 431 million at December 31, 2014 or 39% and Euros 447 million at December 31, 2013 or 38%) relates to bank debt or similar (including payables to leasing companies) at variable rates, Euros 276 million or 25% to the issuance of Notes completed during the prior year (Euros 274 million at December 31, 2014 or 25% and Euros 273 million at December 31, 2013 or 23%) and Euros 411 million or 37% (Euros 387 million at December 31,

2014 or 36% and Euros 450 million at December 31, 2013 or 39%) to fixed rate loans obtained from related parties. In previous years the Group put into place an Interest Rate Swap ("IRS"), exchanging the variable rate with a fixed rate, in order to reduce exposure to the risks associated with the variability of the interest expenses on its debt. Subsequently, in view of the economic situation and the expectations in terms of inflation, an increase in interest rates has not appeared probable; therefore, the Group decided not to extend the hedging transactions which closed at the end of the year 2012.

A description follows of the most significant outstanding debt.

Senior Credit Agreement

The Senior Credit Agreement was initially secured by the Group in October 2006 and later renegotiated, the most recent being in May 2013, from a banking pool with Royal Bank of Scotland plc acting as the Agent. The total original amount of the loan, equal to Euros 725 million, was subsequently increased to Euros 745 million in 2008 and later partially repaid, as described below. Details of the lines of credit which form the Senior Credit Agreement are as follows:

Senior Credit Agreement Summary

(In thousands of Euro)	Type	Residual Debt at December 31, 2015	2014	2013	Due	Repayments
Facility A	Amortizing	25,280	37,920	50,561	September 30, 2017	semi-annual
Facility B	Bullet	179,514	179,514	179,514	September 30, 2017	when due
Facility C	Bullet	179,514	179,514	179,514	September 30, 2017	when due
Facility D	Amortizing	—	—	—	September 30, 2017	semi-annual
RF (*)	Revolving facility	34,286	34,286	34,286		
Total gross of transaction charges		**418,594**	**431,234**	**443,875**		
Transaction charges connected to loans		**(3,784)**	**(5,796)**	**(7,863)**		
Finance expenses payable		**—**	**—**	**3,453**		
Total		**414,810**	**425,438**	**439,465**		

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

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

- partially repaid the Senior Credit Agreement for Euros 275 million; specifically Facilities B and C for Euros 130,972 thousand, fully repaid the Facility D for Euros 139,028 thousand and partially the Revolving Facility for Euros 5,000 thousand;
- renegotiated several conditions of the Senior Credit Agreement, extending the maturity of some lines of credit after a revision of the spread. Specifically, as a result of the renegotiation, the outstanding credit lines of the Senior Credit Agreement will be repaid by 2017 (before renegotiation the amortization plan provided for repayment between the years 2014-2016) and interest will accrue on the basis of the 1-, 3- or 6-month Euribor, plus a spread of between 3.5% and 4.25% depending on the characteristics of the lines of credit (the spread was between 2.25% and 3.68% before the renegotiation).

The amortization plan at December 31, 2015 for each facility is provided in the following table:

Senior Credit Agreement Summary

Amortization Plan

(In thousands of Euro)	Residual debt As of December 31, 2015	2016	2017
Facility A	25,280	12,640	12,640
Facility B	179,514	—	179,514
Facility C	179,514	—	179,514
Facility D	—	—	—
RF (*)	34,286	—	34,286
Total	**418,594**	**12,640**	**405,954**

Senior Credit Agreement Summary			
Amortization Plan			
(In thousands of Euro)	**Residual debt As of December 31, 2015**	**2016**	**2017**
Residual debt		**405,954**	**—**

(*) The Revolving Facility—totaling Euros 34,286 thousand—must be paid by September 30, 2017, unless the Company repays it beforehand in part or in full. In that case, the Company may again draw upon the facility but is still obliged to extinguish the facility as mentioned above.

The Senior Credit Agreement, among other things, contains the following covenants which must be complied with and must be calculated in reference to the consolidated data of the shareholder Gaming Invest S.àr.l.:

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

a. consolidated cash flows provided during the period in question (excluding cash flows that are not available to the Group and some additional flows, specifically identified in the contracts regulating the loans in question), and

b. financial debt inclusive of interest (being the sum of the loans received from banks, noteholders, leasing companies and factoring companies) due during the same period.

This ratio must not be less than 1.

- *Interest Cover*, that is, the ratio of consolidated EBITDA to consolidated net finance expenses (adjusted to take into account certain effects specifically identified in the contracts regulating the loans in question). This ratio must not be below a) 1.85 at the 2014 year-end date; b) 1.90 in the years 2015, 2016 and 2017;
- *Leverage Ratio*, that is, the ratio of consolidated net debt (net of restricted bank deposits) to consolidated EBITDA (adjusted to take into account certain effects specifically identified in the contracts regulating the loan in question). This ratio must not be higher than a) 6.00 at the 2014 year-end date, b) 5.75 in the years 2015, 2016 and 2017.

Non-compliance with these covenants constitutes an "event of default" which triggers the consequent obligation to immediately repay the residual debt, except in the case a waiver is obtained from the relative credit institutions;

The Group is also required to comply with a series of restrictions such as, inter alia, limitations: *i)* entering into merger, spin-off, corporate restructuring and joint venture transactions, *ii)* carrying out acquisitions or investments, *iii)* carrying out acts disposing of all or part of its assets and *iv)* increasing financial debt. Exceptions to these restrictions are permitted, on authorization from the lending banks.

For the years under review, the above-mentioned financial covenants have been complied with and there are no events of default.

The Group pledged to the financing banks the shares held in the companies Sisal S.p.A., Sisal Entertainment S.p.A. and Sisal Match Point S.p.A. (eventually incorporated in Sisal Entertainment S.p.A.)

Loans from related parties

Loans from related parties include two loans obtained from Gaming Invest, detailed in the following table:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Shareholder Loan	410,885	387,015	367,368
Subordinated Zero Coupon Shareholder loan	—	—	82,697
Loans from related parties	**410,885**	**387,015**	**450,065**

Shareholder Loan

The loan denominated "Shareholder Loan" for an original amount of Euros 452 million, provides for: *i)* the obligation of the Company to repay the loan in a one-off payment on request by the lender and *ii)* the right of the Company to repay the residual debt in part or in full at any time. However, the repayment of the principal on this loan is subordinate to the Senior Credit Agreement, previously described, or in cases expressly provided by the Senior Credit Agreement or,

finally, upon specific authorization of the banking pool which granted this last loan. As a result this loan is in fact considered as if it were a medium-/long-term loan.

There are two different fixed rate interest components of this loan:

- the "PIK Margin" interest, equal to 6% per year on the residual debt, which the Company, instead of paying, may capitalize for the entire term of the loan (interest accrues on the capitalized interest);
- the "Cash Margin" interest, equal to 4.5% per year on the residual debt, which obligatorily must be paid quarterly.

From January 1, 2013 to December 31, 2015, the Group did not repay principal and capitalized interest for a total of Euros 67.5 million (Euros 17.5 million in 2013, Euros 26.0 million in 2014 and Euros 24.0 million in 2015).

Repayments of principal were made prior to January 1, 2013, within the limits established by the Senior Credit Agreement.

Subordinated Zero Coupon Shareholder loan

In June 2009, the sole shareholder Gaming Invest S.àr.l also granted another loan of Euros 60 million denominated "Subordinated Zero Coupon Shareholder loan" and, like the preceding loan, is subordinate to obligations deriving from the "Senior Credit Agreement".

This loan bears interest at 11% per year and is due when principal is repaid; the interest accrued does not bear interest.

On December 15, 2014 the sole shareholder waived the right to this loan, including the interest accrued at that date.

Senior Secured Notes

Senior Secured Notes Summary

		Residual Debt As of December 31,				
(In thousands of Euro)	**Type**	**2015**	**2014**	**2013**	**Due**	**Repayments**
Senior Secured Notes.....	Bullet	275,000	275,000	275,000	30-set-17	when due
Total gross of transaction charges.....		**275,000**	**275,000**	**275,000**		
Transaction charges connected to loans.		**(3,871)**	**(5,822)**	**(7,359)**		
Finance expenses payable.....		**5,095**	**5,095**	**5,095**		
Total		**276,224**	**274,273**	**272,736**		

In May 2013, the Group completed the issuance of secured notes for a total of Euros 275,000 thousand, issued at par, with semi-annual coupon interest (due March 31 and September 30) and a one-off repayment of the principal at September 30, 2017. Interest is computed at the fixed rate of 7.25%, before the effects associated with the costs incurred for issuance of the Senior Secured Notes which, pursuant to IFRS, are recognized using the effective interest method. Taking into account the above costs and assuming repayment of the loan at the above maturity date, the effective interest rate recorded in the consolidated income statement as an interest cost is 7.96% on an annual basis.

The Company has the right to full or partial early repayment of the notes issued, as established in the contract governing their issue. The main terms applicable in the event of early repayment are described below.

In the event of early repayment (partial or full): i) between November 1, 2014 and April 30, 2015, the Group had to pay an amount equal to 102% of the amount repaid in addition to any interest accrued and not paid; ii) between May 1, 2015 and April 30, 2016, the Group must pay an amount equal to 101% of the amount repaid in addition to any interest accrued and not paid; and iii) subsequent to April 30, 2016, any early repayments only require payment of the face value of the amount repaid and any interest accrued and not paid.

The Senior Secured Notes provide for a series of covenants to be complied with by the Company. In particular, there are limitations, *inter alia*, on *i)* payment of dividends; *ii)* early repayment or any payment to repay the subordinated debt of the Company or the subordinated shareholder loans; *iii)* make investments; *iv)* increase financial debt; *v)* enter into transactions for mergers or transfers of the company and *vi)* carry out transactions that involve a change of control of the Company. Such limitations oblige the Group to obtain specific authorizations for any exceptions to these limitations.

The Senior Secured Notes also provide for:

- a series of "events of default" if the trustee or the noteholders ask for full repayment of the notes and the interest accrued. The most important events of default are the following:
  - *i)* non-compliance with the established covenants (some of which are mentioned in the preceding paragraph);
  - *ii)* whenever the guarantees (discussed in the following paragraph) provided by the loan cease to be effective or are declared null and void.
- secured and unsecured guarantees have been set up to guarantee fulfillment of the obligations of the Company and its subsidiaries (the "**Subsidiaries**"). The subsidiaries are committed to guaranteeing, irrevocably and unconditionally, with the exclusion of certain established contractual limitations, the fulfillment of obligations deriving from the Company's obligations. Moreover, inter alia, the following secured guarantees were set up for the benefit of the noteholders:
  - *i)* first-ranking pledge on the shares of the Company held by the direct parent, Gaming Invest S.àr.l., and representing 100% of the share capital of the Company;
  - *ii)* first-ranking pledge on all the shares of the subsidiaries held by the Company and by other companies of the Group.

The Senior Secured Notes and the Senior Credit Agreement are equally ranked with the loans from related parties.

Other loans from third parties

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

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Loans from other banks	1,795	2,220	2,739
Payables to leasing companies	1,896	3,161	4,698
Short-term loans	103	—	—
Other loans from third parties	**3,794**	**5,381**	**7,437**

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

"*Payables to leasing companies*" refer mainly to the contracts signed in 2010 and 2011 for the purchase of new generation gaming terminals denominated Microlot. Further contracts were added in 2013 and 2014 relating to the purchase of industrial and commercial equipment (Big Touch terminals, POS and hardware) for a total debt at December 31, 2015 of Euros 1.9 million.

The minimum lease payments for finance lease liabilities are summarized in the following table:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Minimum lease payments due			
Within 12 months	1,296	1,343	2,358
Between 1 and 5 years	676	1,998	2,407
After 5 years	—	—	30
Future financial expenses	(77)	(179)	(97)
Present value of payables to leasing companies	**1,895**	**3,162**	**4,698**

35. Net financial debt

The net financial debt of the Group at December 31, 2015,2014 and 2013, determined in conformity with paragraph 127 of the recommendations contained ESMA Document no. 319/2013, implementing Regulation (EC) 809/2004 is presented as follows:

(In thousands of Euro)	As of December 31, 2015	2014	2013
A Cash	5,971	7,308	7,135
B Other liquid assets	133,772	106,384	97,169
C Securities held for sale	—	—	2
D Liquidity (A+B+C)	**139,743**	**113,692**	**104,306**
E Current financial receivables	—	—	—
F Current financial payables	34,286	34,286	34,286
G Current portion of medium-/long-term debt	19,857	20,165	25,199
H Other current financial payables	103	—	2,328
I Current financial debt (F+G+H)	**54,247**	**54,451**	**61,813**
J Net current financial debt (I-E-D)	**(85,498)**	**(59,241)**	**(42,493)**
K Medium-/long-term debt	778,770	766,560	837,879
L Notes issued	271,129	269,178	267,641
M Other non-current financial payables	1,568	1,918	2,370
N Non-current financial debt (K+L+M)	**1,051,467**	**1,037,656**	**1,107,890**
O Net financial debt (J+N)	**965,970**	**978,415**	**1,065,397**

36. Provision for employee severance indemnities

The changes in this item are the following:

(In thousands of Euro)	As of December 31, 2015	2014	2013
Beginning balance	**11,318**	**9,681**	**9,096**
Current service costs	95	62	27
Finance expenses	200	304	284
Actuarial (gains) losses	(514)	1,820	(40)
Contributions made—Benefits paid	(1,064)	(639)	(404)
Change in scope of consolidation	—	90	718
Ending balance	**10,035**	**11,318**	**9,681**

The provision includes the effects of the present value calculation required by IAS 19.

Details of the financial and demographic assumptions used in the actuarial calculations are as follows:

	2015	2014	2013
Discount rate	2.00%	1.80%	3.20%
Inflation rate	1.80%	1.80%	2.00%
Future salary increase rate	2.80%	2.80%	3.00%
Estimated mortality rate	table RG48 reduced by 80%	table RG48 reduced by 80%	table RG48 reduced by 80%
Estimated disability rate	table CNR reduced by 70%	table CNR reduced by 70%	table CNR reduced by 70%
Probability of resignation/retirement (annual)	3%	3%	3%

There are no plan assets servicing the defined benefit plans.

37. Provisions for risks and charges

The changes in this item are the following:

(In thousands of Euro)	Sundry risks and charges provisions	Technological updating provision	Total
January 1, 2013	**7,356**	**1,507**	**8,863**

(In thousands of Euro)	Sundry risks and charges provisions	Technological updating provision	Total
Increases	4,385	452	4,837
Decreases	(479)	—	(479)
December 31, 2013	**11,262**	**1,959**	**13,221**
Net provisions	2,139	849	1,290
Utilizations	(411)	—	(411)
December 31, 2014	**12,990**	**1,110**	**14,100**
Net provisions	26	(718)	(692)
Utilizations	(949)	—	(949)
December 31, 2015	**12,067**	**392**	**12,459**

The *Technological updating provision* refers to the provision that must be allocated by the Group's concessionaire companies, based on the relative concession agreements, in order to ensure over time that the online network and infrastructures are updated according to the technology and size necessary for the gaming business.

It should be noted that the Group operates in a complex legal environment where regulations are continuously evolving. See Note 5 for further details.

As of the date of preparation of the consolidated financial statements, and at this time, although in a context of uncertainty, it is believed that such pending cases and proceedings will not give rise to liabilities besides those already recorded in the consolidated financial statements or have significant consequences.

At the same time, it should be mentioned that at year-end 2015 there are certain tax audits and inspections in progress; however, it is believed, at this time, that there will be no further additional costs to the Group other than those already recognized in the consolidated financial statements.

38. Other non-current liabilities

This item is composed as follows:

	As of December 31,		
(In thousands of Euro)	2015	2014	2013
Payable for acquisition of business segment	—	458	1,481
Other non-current liabilities	3,360	6,700	14,253
Total	**3,360**	**7,158**	**15,734**

Payable for the acquisition of business segments refers to the non-current amount payable for acquisition of the business segment from Merkur Interactive Italia S.p.A. which was concluded in preceding years. The residual amount has been fully reported at December 31, 2015 in other current liabilities.

Other non-current liabilities refer to the non-current portion of the payable relating to the NTNG penalty levied on Sisal S.p.A. in 2012.

39. Trade and other payables

This item is composed as follows:

	As of December 31,		
(In thousands of Euro)	2015	2014	2013
Payables to suppliers	63,092	69,625	80,429
Payables to partners for services	188,519	193,979	181,314
Payables to gaming machines network	374	566	1,261
Trade to concessionaires	352	—	—
Other trade payables	2,331	3,628	5,417
Total	**254,668**	**267,798**	**268,421**

Payables to partners for services relate mainly to the sale of top-ups of telephone and TV content cards and collection and payment services operated directly by the Parent on behalf of private and public entities. The fluctuations between the periods under review are due to the volumes transacted and the timing of amounts transferred to the companies/partner entities.

Payables to gaming machines network mostly include the amount due to the network based on turnover.

40. Tax payable

This item is composed as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Payables for IRAP tax	779	3,947	2,623
Payables for IRES tax on income tax consolidation	—	511	—
Total	**779**	**4,458**	**2,623**

At December 31, 2015 and 2013 the payables for IRES taxes show zero balances since the Group recorded a net receivable based on the national tax consolidation. *Payables for IRAP tax* reduction in 2015 compared to 2014 is mainly due to advance payments trend and taxable income decrease following the introduction of new regulations that provide as from January 1, 2016 the substantial deductibility of labor costs.

41. Other current liabilities

This item is composed as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Payables on games	91,558	66,249	74,284
Payables for winnings	81,933	94,847	78,218
Payables to employees	11,459	12,993	10,164
Other current liabilities	5,848	10,591	22,513
Payables to social security agencies	7,565	8,286	7,380
Other tax payable	2,885	4,833	4,614
Payables to collaborators	1,647	1,824	1,299
Total	**202,895**	**199,623**	**198,472**

The main items forming other current liabilities are analyzed below.

Payables on games

Payables on games refer to the following:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Payables to tax authorities on games	77,199	52,590	58,726
NTNG subscribers	1,610	1,708	1,730
Payables for online games	6,457	5,848	7,780
Payables for guaranteed minimum	3,905	3,905	3,905
Payables for betting management	2,387	2,198	2,143
Total payables on games	**91,558**	**66,249**	**74,284**

Payables to tax authorities on games mainly include: *i)* the tax on the last NTNG games played in the year; *ii)* payables for the PREU tax and concession fees on the turnover from gaming machines, for the last two months of the year and *iii)* taxes relating to the turnover for the month of December on sports pool games, horse and sports betting and online games. This item includes approximately Euros 3.3 million for the short-term portion of the aforementioned NTNG penalty paid in 2015 and 2014 for Euros 3.3 million in accordance with the amortization plan agreed with the AAMS. The increase reported in this item for more than Euros 22 million is due to the pledgee proceedings with third parties

under article 543 Code of Civil Procedure, notified to Sisal Entertainment S.p.A. at initiative of some subjects creditors towards the Gaming Agency.

To comply with the mandatory obligation to provision of the sums subject to garnishment, they have been deposited in a bearing bank account classified as restricted cash.

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

Payables for guaranteed minimum include the remaining amount payable to the concession granting Authorities for the integration due on the guaranteed minimum adjustment specified in the horse-race betting concession agreements signed by Sisal Match Point S.p.A. The latter, by agreement with the concession granting Authority, in 2009 did not pay the installment due for 2009 relating to the guaranteed minimum adjustment for horse betting concessions in view of the receivable resulting from the Arbitration award on May 26, 2003. In the arbitration proceedings, between 171 plaintiff companies and the concession granting authority UNIRE, the Arbitration Board ruled in favor of the companies, confirming the existence of a receivable in favor of the concessions owned by Sisal Match Point S.p.A. as a result of mergers and acquisitions in the preceding years. AAMS appealed against the Arbitration Board's award before the Rome Court of Appeal, which revoked the award in question and ruled that the Administrative Judge had jurisdiction over the matter. No claim has so far been made against Sisal Entertainment S.p.A. following that revocation order. An appeal was filed with the Supreme Court against the previous year's judgment of the Rome Court of Appeal, requesting that its decision be overruled and the Award reinstated.

NTNG subscribers include the payable for subscriptions to SuperEnalotto and the additional SuperStar game, Vinci per la vita—Win for life, and Eurojackpot games.

Payables for winnings

Payables for winnings include jackpots payable by the Group to winners of pool games, betting and VLTs at the closing date of the financial statements; the contra-entry to such payables is mainly restricted bank deposits set up for this purpose and recorded under assets in the statement of financial position.

Payables for winnings can be analyzed as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**
Payables for SuperEnalotto-SuperStar winnings	62,538	73,935	64,331
Payables for Win for Life winnings	11,589	10,846	5,267
Payables for Si Vince Tutto-SuperEnalotto winnings	591	847	1,406
Payables for Tris games and horse betting winnings	183	185	212
Payables for CONI games	172	439	155
Payables for Bingo winnings	—	16	9
Payables for VLT winnings	6,342	6,792	6,579
Payables for Eurojackpot winnings	469	1,766	250
Payables for Play Six winnings	29	21	9
Payables for bet winnings	20	—	—
Total payables for winnings	**81,933**	**94,847**	**78,218**

The fluctuations between reporting periods depend mainly on the levels of the winnings for each game, related to the turnover of the period.

Payables to employees

Payables to employees include the 14th month bonus, other bonuses, vacation, former holidays, outstanding leave, remuneration and overtime accrued but not yet paid at the end of the year.

Other tax payable

Other tax payable are detailed as follows:

	As of December 31,		
(In thousands of Euro)	**2015**	**2014**	**2013**

(In thousands of Euro)	As of December 31, 2015	2014	2013
Payables for IRPEF payroll tax	2,630	2,821	2,626
Payables for loan withholding tax	18	109	53
Payables for equalization tax	11	2	9
Payables for VAT	71	218	—
Sundry tax payable	155	1,684	1,926
Total	**2,885**	**4,833**	**4,614**

Sundry tax payable reduction is mainly due to the payment of a tax notice for about Euros 1,3 million, received by Sisal S.p.A. in September month 2014 and paid in January 2015 following the deposit of the second appeal judgment unfavorable result for the company which has already made an appeal in Cassation Court.

Other current liabilities

Other current liabilities principally include payables relating to the acquisition of business segments and/or companies, guarantee deposits received, non-deductible VAT on invoices to be received and also dividends not yet paid. The decrease in this item is mainly due to settlement during the year of the debt recognized at the end of 2014 against the option to purchase 40% of the share capital of the subsidiary Friulgames S.r.l. The option was exercised in 2015 on the basis of related agreements for a total of Euros 3.3 million.

42. Commitments

The commitments of the Group at the reporting dates are detailed as follows:

(In thousands of Euro)	As of December 31, 2015	2014	2013
Customs and Monopolies Agency	212,816	213,006	226,729
Payments and services	169,752	167,600	161,820
Other guarantees provided	4,131	4,424	3,087
Tax revenues agency	1,081	1,246	1,247
Total	**387,780**	**386,276**	**392,883**

The *Customs and Monopolies Agency* (ADM) commitments refer to the aggregate of the guarantees and/or commitments issued by the concessionaire companies of the Group on behalf of the granting Authority for the concession to operate and develop various games, and also for the related tax and operating obligations. *Payments and services* instead refer to the guarantees issued by the Company and Sisal S.p.A. on behalf of partner customers mainly for agreements relating, respectively, to payment services and to the sale and/or distribution of mobile phone top-ups for which the above companies are required to guarantee payment, net of their fees, of the amounts collected under the terms of the agreements.

Moreover, to guarantee the debt deriving from the financing contracts signed in the course of the acquisition of the majority interest in Sisal S.p.A., the Group pledged the shares held in Sisal S.p.A., Sisal Entertainment S.p.A, and Sisal Match Point S.p.A. (later merged in Sisal Entertainment S.p.A.) to the lending banks. Similar pledges were set up on behalf of the subscribers to the Senior Secured Notes.

43. Related party transactions

Related party transactions are mainly financial in nature. The Company holds that all such transactions are substantially settled on an arm's length basis.

The balances referring to related party transactions in the statement of financial position at December 31, 2015, 2014 and 2013 are detailed in the following table:

(In thousands of Euro)	Parent companies	Management	TOTAL	TOTAL ITEM IN FINANCIAL STATEMENTS	PERCENTAGE OF TOTAL ITEM
Current portion of long-term debt					
As of December 31, 2015	—	—	—	19,857	0.0%
As of December 31, 2014	—	—	—	20,165	0.0%

(In thousands of Euro)	Parent companies	Management	TOTAL	TOTAL ITEM IN FINANCIAL STATEMENTS	PERCENTAGE OF TOTAL ITEM
As of December 31, 2013	2,715	—	2,715	27,527	9.9%
Long-term debt					
As of December 31, 2015	410,885	—	410,885	1,051,467	39.1%
As of December 31, 2014	387,015	—	387,015	1,037,656	37.3%
As of December 31, 2013	447350	—	447,350	1,107,890	40.4%
Other current liabilities					
As of December 31, 2015	—	1465	1,465	202,895	0.7%
As of December 31, 2014	—	1,623	1,623	199,624	0.8%
As of December 31, 2013	—	1,609	1,609	198,472	0.8%

The effects of related party transactions on the income statement for the years ended December 31, 2015, 2014 and 2013 are detailed in the following table:

	Parent companies	Management	TOTAL	TOTAL ITEM IN FINANCIAL STATEMENTS	PERCENTAGE OF TOTAL ITEM
Costs for services					
Year ended December 31, 2015	—	3,193	3,193	445,461	0.7%
Year ended December 31, 2014	—	2,768	2,768	470,781	0.6%
Year ended December 31, 2013	—	2,250	2,250	453,571	0.5%
Personnel costs					
Year ended December 31, 2015	—	4,643	4,643	90,463	5.1%
Year ended December 31, 2014	—	4,604	4,604	92,506	5.0%
Year ended December 31, 2013	—	4,381	4,381	81,298	5.4%
Finance expenses and similar					
Year ended December 31, 2015	41,773	—	41,773	84,946	49.2%
Year ended December 31, 2014	45,515	—	45,515	91,031	50.0%
Year ended December 31, 2013	43,235	—	43,235	86,798	49.8%

Parent companies

With reference to the transactions with Gaming Invest, the Parent has a total financial debt for approximately Euros 411 million at December 31, 2015 (Euros 387 million at December 31, 2014 and Euros 450 million at December 31, 2013); interest accrued for the year on such debt amounts to approximately Euros 42 million (Euros 39.1 and Euros 43.2 at December 31, 2014 and 2013, respectively) , of which approximately Euros 24 million (Euros 26.0 and Euros 17.6 at December 31, 2014 and 2013, respectively) has been capitalized. Details of the financial relations with Gaming Invest are provided in Note 34.

Management

The following Group officers are considered key executives charged with strategic responsibilities: i) Chief Executive Officer on the board of directors; ii) Chief Financial Officer; iii) executives heading the business units (Retail Gaming, Lottery, Online Gaming and Payments and Services); iv) executive heading the betting business, v) executives heading the HR, Legal, Strategy, Marketing & Communication, Institutional Affairs and Security & Anti Money-Laundering functions.

Compensation to the key executives of the Group is as follows:

	As of December 31,		
(In thousands of Euro)	2015	2014	2013
Salaries	4,328	4,313	4,093
Employee severance indemnities	315	291	288
Total	**4,643**	**4,604**	**4,381**

Executives who are also Company directors, with related powers and responsibilities, are entitled to directors' compensation determined by the shareholders at the annual general meeting.

Under the agreements reached with the shareholders following acquisition of the majority of the share capital of Sisal S.p.A. by the Parent in 2006, some executives subscribed to certain debt and equity instruments of the vehicle used for the purpose of the new acquisition. Similar opportunities were offered to several executives hired in later years, as described in the note on other reserves under equity.

44. Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, the following information is presented in respect of the impact of non-recurring events and transactions on the results of operations and the cash flows for the year and the financial position of the Group.

Non-recurring events and transactions are identified mainly on the basis of the nature of the transactions. Specifically, non-recurring income and expenses include events that by their nature do not occur continuously under normal business operations (for example: income and expenses deriving from the acquisition and/or disposal of buildings, business segments and investments included in non-current assets, income and expenses deriving from company reorganizations, income and expenses deriving from sanctions levied by regulatory entities and impairment losses on goodwill or intangible assets). The impacts of non-recurring events and transactions relating to the year 2015, 2014 and 2013 are as follows:

		As of December 31, 2015			
(In thousands of Euro)		Equity	Profit (Loss) for the year	Carrying amount of net financial debt	Cash flows
Book value	***(a)***	**(8,537)**	**(39,711)**	**965,970**	**26,051**
Outsourcing of contact center functions		(1,331)	(1,331)		(1,331)
Costs/income for acquisitions/reorganizations		(1,100)	(1,100)		(1,100)
Release of provisions for disputes with regulators		2,400	2,400		
Impairment losses on goodwill		(19,476)	(19,476)		
Total effects	***(b)***	**(19,507)**	**(19,507)**	**—**	**(2,431)**
Notional book value	***(a-b)***	**10,970**	**(20,204)**	**965,970**	**28,482**

		As of December 31, 2014			
(In thousands of Euro)		Equity	Profit (Loss) for the year	Carrying amount of net financial debt	Cash flows
Book value	*(a)*	**30,846**	**(999)**	**978,415**	**9,388**
Settlement of Slots fiscal proceedings (tax recovery)		22,853	22,853		
Penalty for failure to reach guaranteed minimum NTNG					(3,340)
Income/costs for acquisitions		1,188	1,188		
Costs for IPO process		(6,332)	(6,332)		(6,332)
Acceptance of Notice of Findings					(1,844)
Total effects	*(b)*	**17,709**	**17,709**	**—**	**(11,516)**
Notional book value	*(a-b)*	**13,137**	**(18,708)**	**978,415**	**(20,904)**

		As of December 31, 2013			
(In thousands of Euro)		Equity	Profit (Loss) for the year	Carrying amount of net financial debt	Cash flows
Book value	*(a)*	**(56,400)**	**(98,805)**	**1,065,399**	**(48,645)**
Settlement of Slots fiscal proceedings		(76,670)	(76,670)	—	(76,670)
Penalty for failure to reach guaranteed minimum NTNG				—	(3,120)
Cost associated with restructuring of debt /other		(2,268)	(2,268)	—	—
Costs for acquisitions		(6,323)	(2,111)	—	(2,111)
Acceptance of Notice of Findings					(2,372)
IRES recovery for IRAP on personnel costs					2,401
Total effects	*(b)*	**(85,261)**	**(81,049)**	**—**	**(81,872)**
Notional book value	*(a-b)*	**28,861**	**(17,756)**	**1,065,399**	**33,227**

With regard to the consolidated income statement, the gains and losses arising on non-recurring transactions are indicated according to the specific items of the statement and the relative effects on the main intermediate levels of earnings as follows:

(In thousands of Euro)	As of December 31, 2015	2014	2013
Other income	**439**	**1,188**	**—**
Recalculation of earn-out for purchase prices for for acquisitions/IPO process	439	1,188	—
Purchase of materials, consumables and merchandise	**—**	(35)	—
Costs for IPO process	**—**	(35)	—
Costs for services	**(1,362)**	**(5,180)**	**(1,242)**
Costs associated with company reorganization projects	(537)	—	(1,140)
Costs for acquisitions/other	(825)	—	(102)
Costs for IPO process	—	(5,180)	—
Personnel costs	**(794)**	**—**	**—**
Costs associated with company reorganization projects	(794)	—	—
Other operating costs	**(714)**	**(1,117)**	**(76,637)**
Settlement of gaming machines dispute	—	—	(73,500)
Costs associated with restructuring of debt/other	—	—	(1,128)
Remeasurement of debt on Merkur 2010 business acquisition	—	—	(1,377)
Costs for acquisitions/other	(714)	—	(632)
Costs for IPO process	—	(1,117)	—
Depreciation, amortization, provisions and impairment losses and reversals of the value of property, plant and equipment and intangible assets	**(17,076)**	**—**	**—**
Provisions for/release of claims with regulators	2,400	—	—
Impairment losses on goodwill	(19,476)	—	—
Impact on Operating result (EBIT)	**(19,507)**	**(5,144)**	**(77,879)**
Finance expenses and similar	—	—	—
Finance expenses on settlement of Slots fiscal proceedings	—	—	(3,170)
Profit (loss) before income taxes	**(19,507)**	**(5,144)**	**(81,049)**
Income taxes	**—**	**22,853**	**—**
Settlement of gaming machines dispute (recovery of tax deductibility)	—	22,853	—
Impact on profit (loss) for the year	**(19,507)**	**17,709**	**(81,049)**

45. Significant events occurring after the end of the year

The new, recently-approved Stability Law again has a significant impact on gaming business profit margins as a result, in particular, of the change in the PREU tax on slots, which has risen from 13% in 2015 to 17.5% from January 1, 2016. The same legislation also allowed reduction of the minimum payout from 74% in 2015 to 70% with effect from 2016, a change which will in any event require significant input for its application to the entire pool of gaming machines managed by the Group.

Again as part of the gaming machines segment, the aforementioned regulations also envisaged—as mentioned previously—elimination of the lump-sum reduction in fees for a total of Euros 500 million, a three-step disposal process for slot machines currently in use (to be completed by December 31, 2019) and the introduction of latest generation, remotely-controlled slot machines installable from January 1, 2017, onwards.

With reference to other gaming segments of direct interest to the Group, the 2016 Stability Law also confirmed the tender for the award of new nine-year concessions for the collection of bets on sporting events, including horse racing, and non-sporting events numbering 15,000 due to start from May 2016 with starting odds totaling Euros 32,000 for those made at the “agencies” (up to a maximum of 10,000 units) and Euros 18,000 for those made at “corners” (up to a maximum of 5,000 units), and envisaging a free extension of current concessions (due to expire June 30, 2016) until new licenses are signed. In addition, from January 1, 2016, a new tax has been introduced on the margin for fixed-odds bet collection set at 18%, if collected on a physical network, or 22% if remote collection is involved. The latter regulatory change had been long awaited and hoped for by industry operators.

Furthermore, on conclusion of a long approval process, note that at the beginning of February Sisal S.p.A., the Group's NTNG concessionaire, started collecting the new SuperEnalotto game, including a number of structural changes—such as increased payout and average jackpot total—which should make the game more appealing to consumers. The trend for the first few weeks of collections, with rates increasing by more than 30% compared to previous operations, are encouraging in this sense.

On May 30, 2016 CVC Capital Partners announced that funds advised by CVC Capital Partners agreed to acquire, through the company Schumann S.p.A., a 100% equity stake in Sisal Group S.p.A., from funds advised by Apax Partners, Permira and Clessidra. The transaction is expected to close by the end of September 2016.

GLOSSARY OF SELECTED TERMS

Terms	Definition
Amusement with prize (AWP)	An industry term commonly used to refer to an electronic slot machine game device, which must comply with the technical requirements issued by ADM.
Eurojackpot	European number pool game offered in Italy which pools stakes from various European countries and guarantees a minimum jackpot per drawing of €10 million. Players are required to correctly predict five numbers out of 50 numbers and an additional two "Euronumbers" out of a total of eight Euronumbers. To win a prize, players have to correctly predict at least two numbers plus one Euronumber. Eurojackpot stakes are currently collected in Italy, the Netherlands, Denmark, Germany, Finland, Slovenia, Spain and Estonia by the respective local lottery operators.
Sisal Casino	The brand under which we offer online fixed odds chance games (i.e. roulette and slot machine games).
SisalPay	The brand under which we offer convenience payment services such as top-ups, payment services and other financial services.
Sisal Poker	The brand under which we offer online poker games (including tournament and cash poker games).
Sisal Quick Games	The brand name under which we offer online fixed odds chance games with "fun" oriented themes (i.e., games that are not based on casino games).
Sisal Skill Games	The brand name under which we offer online skill games.
Sisal Slot	The brand name under which we offer slot machine game products.
Sisal WinCity	The brand name under which we offer a chain of entertainment spaces. WinCity gaming halls are multifunctional gaming halls retail in which VLTs, slot machines and betting as well as catering services are available to our customers.
SiVinceTutto SuperEnalotto	Lottery game with monthly draws in which the entire jackpot is distributed in a single drawing, once a month. Players have to correctly predict six from 1 to 90. Players who correctly predict at least two numbers will receive a prize. If no player correctly predicts all six numbers, the main prize will go to the player who correctly predicts five numbers, and so on, until there is at least one winner.
SuperEnalotto	Lottery game re-launched in February 2016, which requires players to correctly predict six numbers from 1 to 90 that are drawn by automated machines. There are now seven (increased from five) opportunities to win: by guessing all six numbers extracted, five numbers plus a wild card number called Jolly number, or five, four, three or even two numbers extracted, as well as by guessing all four numbers contained in a dedicated area of each SuperEnalotto ticket, which entitles the player to receive an instant prize of €25. As a consequence, average payout has increased from approximately 35% to approximately 60%. The SuperEnalotto drawings are held three times per week and are independent of the lotto drawings.
SuperStar	SuperStar complements SuperEnalotto by allowing players to choose an additional number, between 1 and 90 inclusive, to those already selected, increasing the probability of winning and increasing prizes.
Totocalcio	Pool game which requires the player to correctly predicts 14 football match results in the form of 1 (home team wins) or 2 (visitor team wins) or X (draw); winnings are awarded for 14, 13, 12 and 11 correctly predicted results.
Totogol	Pool number game which requires the player to predict the seven

Terms	Definition
	football events with the highest number of goals scored out of a total number of 14 football events.
Tris	Pool game which require the player to correctly predicts the first three horses in a horse race.
Win For Life	A pari mutuel game with two formats, WinForLife Classico and Win For Life Grattacieli, that allows players to win the largest prize of a monthly annuity of up to €3,000 or €4,000, respectively, for a period of 20 years. Win For Life Grattacieli provides an immediate prize of €100,000. The Win For Life drawings occur every hour for the Classico version and every five minutes for the Grattacieli.
VinciCasa	A pari mutuel game, launched in 2014, allowing players to win a cash amount, 80% of which is to be used for the purchase of one or more real estate properties within two years from the win, and 20% of which is paid cash and may be freely used by the winner. The game is played by choosing five numbers between one and 40. Guessing all five numbers entitles the player to win the real estate prize, with other opportunities to win smaller cash amounts by guessing four, three, or two numbers. The VinciCasa drawings occur on a weekly basis.
VLT	An industry term commonly used to refer to an electronic Video Lottery game device, which must comply with the technical requirements issued by ADM.

REGISTERED OFFICE OF THE ISSUER

Schumann S.p.A.
Via del Vecchio Politenico 9
20121 Milan
Italy

LEGAL ADVISORS TO THE ISSUER

As to U.S. and English law
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

As to Italian law
Latham & Watkins LLP
Corso Matteotti, 22
20121 Milan
Italy

As to Italian tax law
Studio Tributario Associato Facchini Rossi & Soci
Foro Bonaparte, 70
20121 Milan
Italy

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. law
Cravath, Swaine & Moore LLP
CityPoint
One Ropemaker Street
London EC2Y 9HR
United Kingdom

As to Italian law
Studio Legale Associato in association with Linklaters LLP
Via Broletto, 9
20121 Milan
Italy

As to English law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

INDEPENDENT AUDITOR

PricewaterhouseCoopers S.p.A.
Via Monte Rosa 91
20149 Milan
Italy

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
United Kingdom

LEGAL ADVISORS TO THE TRUSTEE

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

REGISTRAR, LISTING AGENT AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

PRINCIPAL PAYING AGENT AND ESCROW AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Schumann S.p.A.

to acquire

Sisal Group S.p.A

€725,000,000 Senior Secured Notes

€325,000,000 Senior Secured Floating Rate Notes due 2022
€400,000,000 7.00% Senior Secured Fixed Rate Notes due 2023

OFFERING MEMORANDUM

Joint Global Coordinators and Joint Bookrunners

Morgan Stanley | **Credit Suisse** | **UniCredit Bank**

Joint Bookrunners

BNP PARIBAS | **Deutsche Bank** | **UBS Investment Bank**

Printed by RR Donnelley, 195043