Sisal Annual Report 2010

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Jasper Johns, *5 Numbers in Color*, 1964. Albright-Knox Art Gallery, Buffalo

A Message to our Shareholders

Dear Shareholders,

2010 has been an outstanding year for Sisal, allowing the Company to continue to grow, while strongly diversifying its business.

In one of the most challenging years for global economy, Sisal Group reached a turnover of € 11.3 billion, serving more than 20 million consumers. In the last 3 years, our Group turnover has increased by 94%, from € 5.8 billion in 2007, while profitability has reached a record € 166 million Ebitda in 2010.

To reach these results, we have continued to execute our long-term strategy, focusing on innovation and diversification. In 2010 we successfully developed and launched our new Videolottery business which have proven to be highly appreciated by consumers, delivering top performances. In September, we also opened our first Flagship Store, under "Sisal WinCity" brand. Located in downtown Milan, Sisal WinCity is attracting over 1,000 customers per day, entertaining them with our new "eat, drink and play" concept. WinCity Milan has been soon followed by Rome, while Turin, Brescia and Pescara stores are planned for opening in 2011.

Both Videolottery and WinCity Retail businesses are new additions to Sisal offer. Started in 2010, they will deploy their full potential in the years to come.

In 2010, we also continued to develop our existing business: Lotteries, Betting, Digital Games and Services continued to offer new, exciting products to our consumers, resulting in double-digit growth.

Finally, but importantly, we continued to execute – in close cooperation with our Regulator AAMS – our long-term Corporate Social Responsibility Program. In 2010 we partnered with Save the Children, Make a Wish, Telethon, Airc and many other national and international organizations, executing more than 20 socially responsible initiatives.

I'm very pleased with the progress Sisal Group has made over last 12 months: we performed exceptionally well in a challenging overall scenario, but even more importantly, we set the basis for future, healthy Company developments.

Emilio Petrone
Chief Executive Officer

Sisal's History

1946

• Sisal is founded. The acronym Sisal stands for 'Sport Italia Società a Responsabilità limitata' ('Sport Italy limited liability company').

• Launch of the 'Schedina Sisal' ('Sisal play slip'), first national game with the collective participation of the public.

1948

• Launch of Totip (the acronym Totip stands for 'Totalizzatore Ippico') dedicated to horse racing.

• Sisal reaches 12,000 points of sale nationwide.

1977

• Sponsor of the Sanremo Festival with the brand Totip.

1991

• Introduction of Tris, simple betting on horse races.

1996

• Government concession for the management of Enalotto.

1997

• Launch of SuperEnalotto.

• Development of Sisal TV, satellite channel aimed exclusively at the retail network.

1998

• Introduction of Extrema gaming terminal.

2002

• Services enter the retail network: Sisal distribution network provides collection and payment services for the public.

2003

• Signing of the Code of Ethics ("Code of Practice") promoted by European Lotteries.

2004

• Acquisition of 96 Match Point sports betting agencies.

2005

• Launch of Sisal Slot S.p.A: business activity diversified with amusement with prize (AWP) machines.

2007

• Signing of 'Responsible Gaming Framework' programme promoted by the World Lottery Association.

2008

• Launch of Sisal Bingo.

• Introduction of the Leonardo gaming terminal.

2009

• Government concession for the national totalisator number games (NTNG).

• Development of SuperEnalotto online.

• Launch of Sisal Poker online and Vinci per la vita–Win for Life.

• Introduction of self-limiting gaming system.

• Signing of the European Lotteries Code of Conduct on Sports Betting.

2010

• Launch of Sisal Wincity gaming halls.

• Adoption of the Code of Marketing Communications Self-Regulation issued by the Advertising and Marketing Communications Self-Regulation Institute.

Sisal Group Trademarks

Sisal Wincity
EAT DRINK PLAY

Slot

Centro Servizi

Totocalcio

Totogol

Tris
Vincente Accoppiata Tris Quartè Quintè
IPPICA. SCOMMETTI CHE TI DIVERTI.

Consolidated Financial Statements as of December 31, 2010

Jasper Johns, *Numbers in Color*, 1958-1959. Albright-Knox Art Gallery, Buffalo

Consolidated Financial Statements as of December 31, 2010

Dear Shareholders,

We submit for your attention the consolidated financial statements as at December 31, 2010, which present a loss for the year attributable to the Parent of €12,874 thousand. In the period under review, depreciation, amortisation and impairment losses (reversals) of fixed assets were charged, for a total of €84,850 thousand.

Key data

The most important indicators of the Group's performance, the Gross Operating Result, measured as the difference between monetary production value and costs, and the Net Operating Result, measured as the difference between total revenues and costs for the year (including depreciation, amortisation, provisions and impairment losses) are summarised in the following table:

(in thousands of Euro)	2010	2009		Change
Total revenues	735,975	648,050	87,925	13.6%
Gross Operating Result	166,562	153,444	13,118	8.5%
Net Operating Result (EBIT)	70,448	74,670	(4,222)	-5.7%
Result before income taxes	(7,584)	(6,740)	(844)	-12.5%

Before analysing the main factors which have determined the results for the year, a description is provided below of the conditions experienced in the markets in which the Group operates.

Reference market
The gaming market in Italy: the scenario in 2010

The trend 2007 - 2010

In 2010, total receipts in the gaming industry achieved a new record, reaching €61 billion.
The evolution of the market between 2007 and 2010 shows that aggregate income has doubled between the two periods (€41.4 billion in 2007 - €60.9 billion in 2010), with a compound annual growth rate (CAGR) between 2007 and 2010 of 13.8%.

(in million of Euro)	2007	2008	2009	2010	CAGR 2010/2007
Lotto	6,150	5,852	5,663	5,231	-5.3%
GNTN	1,940	2,509	3,777	3,524	22.0%
Instant and deferred lotteries	7,951	9,274	9,435	9,367	5.6%
Sports betting	2,825	4,085	4,170	4,499	16.8%
Horse race betting	2,727	2,272	1,981	1,730	-14.1%
Bingo	1,753	1,636	1,512	1,954	3.7%
Slot*	18,072	21,685	25,234	30,674	19.3%
VLT*	-	-	-	860	n.a.
Skill & Card Games	-	242	2,348	3,146	n.a.
Total receipts	41,420	47,555	54,120	60,985**	13.8%

*Slot + VLT = AWP
**Figure calculated on the net of the amusement with prize machines excluding cash prizes.
Source: Internal processing based on AAMS figures

If the trends of the individual segments are analysed, we can see that the market had quite different trends in the different sectors. In fact, against an overall trend of growth, it is important to note that the product with the best CAGR was the NTNG segment, with an increase of 22%. This result was achieved thanks to special efforts aimed at product innovation, marketing and extension of the network. These actions allowed Sisal S.p.A., the Group's concessionaire, to add new appeal to Italy's favourite product, while a goal-oriented communications campaign drove home the importance of responsible gaming ('Gioca il Giusto').
The second segment in terms of growth was slot machines, which grew +19.3%. This gain was achieved thanks both to measures aimed at legalising the segment, begun in 2004, with AAMS (the Authority for the Autonomous Administration of State Monopolies) in the front line, supported by concessionaires. Together, they conducted a campaign to raise awareness and control in a market that, until the mid-2000s, was in illegal hands, both in terms of certified products and appeal to players.
Segments showing a downward trend were Lotto (-5.3%) and horse race betting (-14.1%).

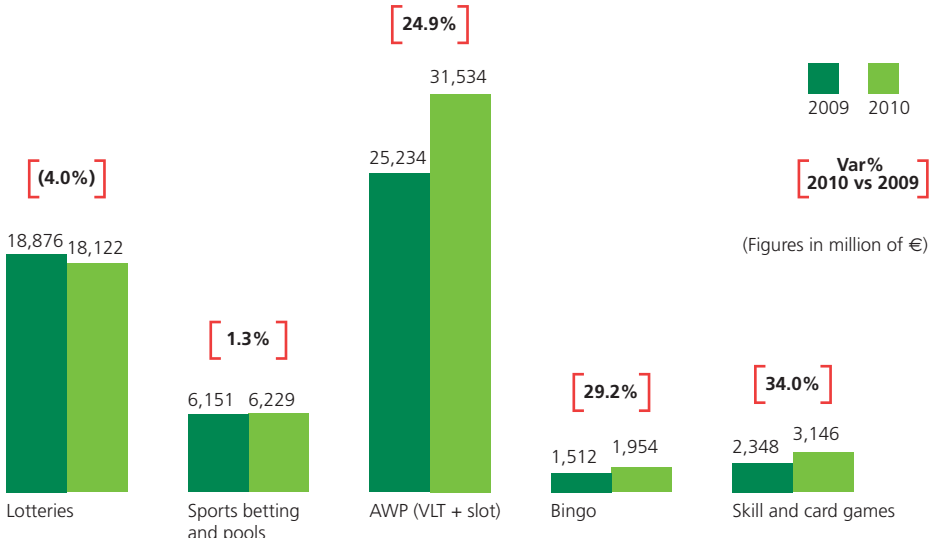
If we analyse the chain of value during the same period, we can see that the payout (that is, winnings paid to players) increased from €28.1 billion in 2007 to €44.0 billion in 2010. The payout as a percentage of the total rose from 67.9% in 2007 to more than 72% in 2010, thanks to the consolidation of products with a high payout like AWP gaming machines (slot machines and those of the new generation, known as the Video Lottery Terminal, or VLT).

(in million of Euro)	2007	2008	2009	2010
Total receipts	41,420	47,555	54,120	60,985
Total payout	28,112	32,661	37,852	44,000
Total net expenditures	13,307	14,894	16,335	16,985
Payout as a percentage of the total	67.9%	68.7%	69.9%	72.0%

Source: Internal processing based on AAMS figures

A comparison between 2010 and 2009

In 2010, receipts in the gaming industry increased by 12.7% compared to 2009.



AWP (Amusement With Prizes) gaming machines (slot machines and VLTs) constitute the top market, with wagers of more than €31.5 billion, an increase of 25% compared to 2009. Next comes the traditional lottery market, with wagers of more than €18 billion, a slight contraction (-4%) compared to the figure in 2009. The betting segment, third in terms of wagers, reported a result substantially in line with that of 2009, with overall wagers of €6.2 billion and an increase of 1.3%, thanks to further growth in the sports betting segment, which more than compensated for the further contraction of horse race betting in 2010.
Next up are skill and card games, which reported wagers of more than €3 billion, increasing by 34% compared to 2009. This result was obtained partly thanks to the consolidation in the online segment with tournament poker.

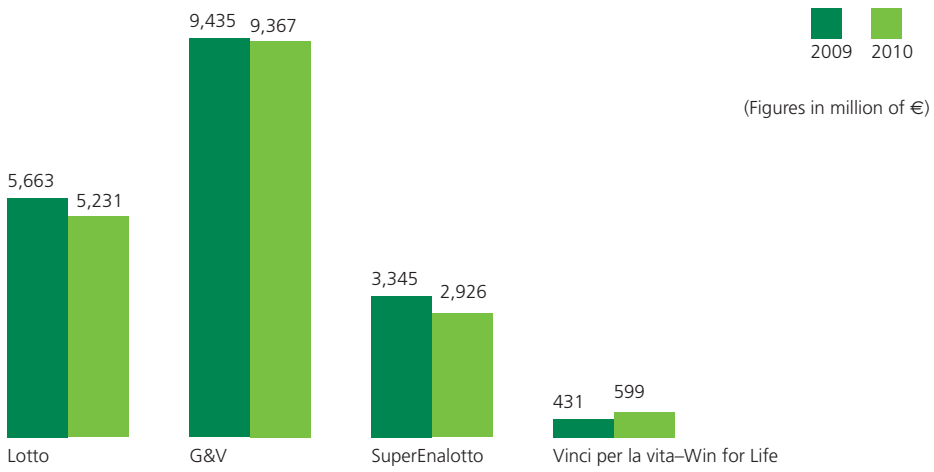
Bingo also reported a positive figure, with wagers of almost €2 billion and an increase of 29.2%. This was partly made possible by the launch of the online version, Bingo Interconnected, in 2010.

Lotteries

Products in the lotteries segment showed different trends that require individual interpretation.

In particular, both Lotto and Gratta & Vinci–Scratch and Win (G&V) reported a negative performance despite the support of the launch of different variations of the game (10eLOTTO) and two new instant lottery games, 'Turista per Sempre–Tourists Forever' and 'Vivere alla grande–Living the good life', with a precise focus on the segment of the returns (Gratta & Vinci–Scratch and Win).

The new NTNG segment, on the other hand, reported the second-best result ever, with overall wagers of more than €3.5 billion. SuperEnalotto's results are compared to the record year, whereas Vinci per la vita–Win for Life consolidated its wagers after an exceptional launch in 2009.



Betting

The betting segment also showed different trends in the different product areas.

Sports betting increased by 9.5% to €4.4 billion. The increase is due both to the effect of the World Cup soccer championship in South Africa and the very high payouts (81.07%) made throughout the second half of 2010.

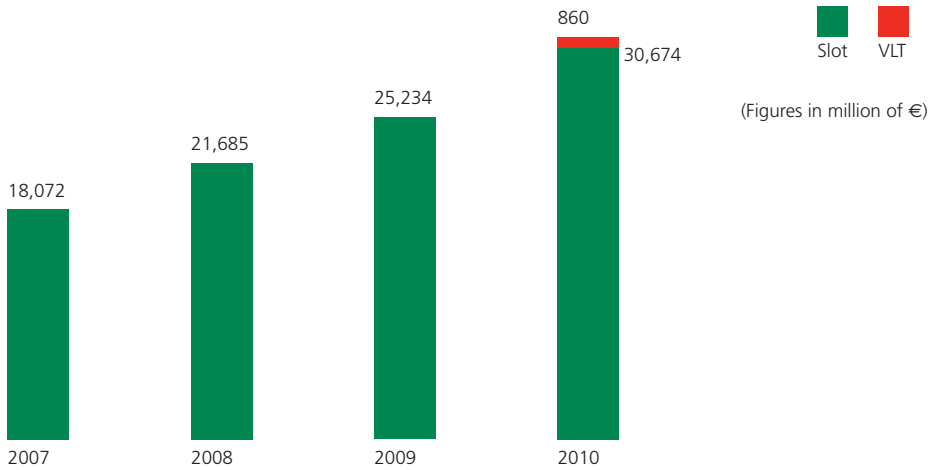
Horse race betting again reported a negative figure, with wagers of just €1.2 billion and a contraction of 11.6 percentage points compared to 2009, continuing — unfortunately — a trend that started some years ago.

Performance in the traditional games (Totocalcio, Totogol, etc.) operated from outlets followed a similar pattern. In 2010, the segment saw its wagers decrease by more than a third, with overall bets of just under €100 million.

The segment of national horse race betting (Tris and similar games) reported a negative figure, with a contraction of approximately 15% compared to 2009 and wagers of approximately €0.5 billion.

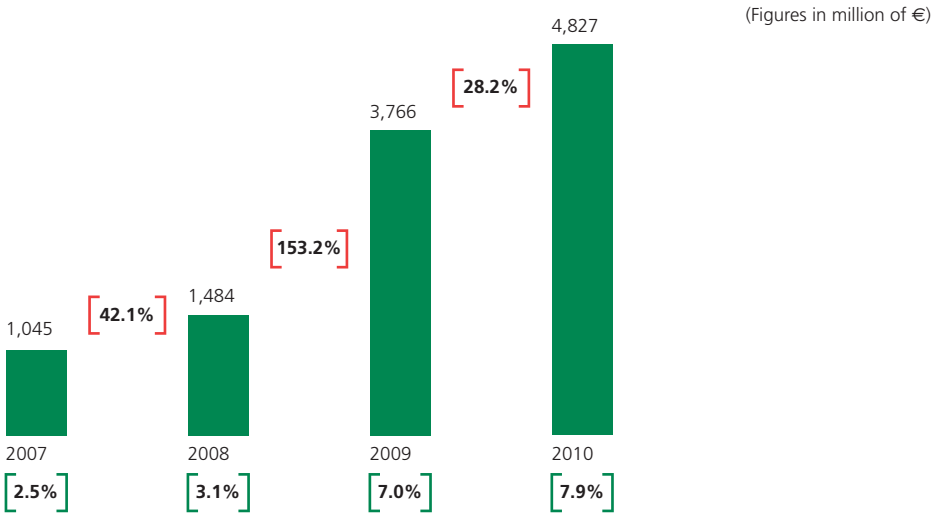
AWP (VLT + slot)

Slot machines alone accounted for more than half the overall Italian gaming market in terms of wagers. It is estimated that there are more than 350 thousand machines in the more than 114 thousand points of sale.
Overall wagers in this segment amounted to more than €30.6 billion – an increase of 21.6% compared to 2009.
Furthermore, August 2010 saw the operational launch of the new VLT machines, which have a payout average of 90%. These generated €860 million in the first few months and should become an important segment of the market next year.
Combined, the two segments reported wagers of €31.5 billion and grew 25% year on year.

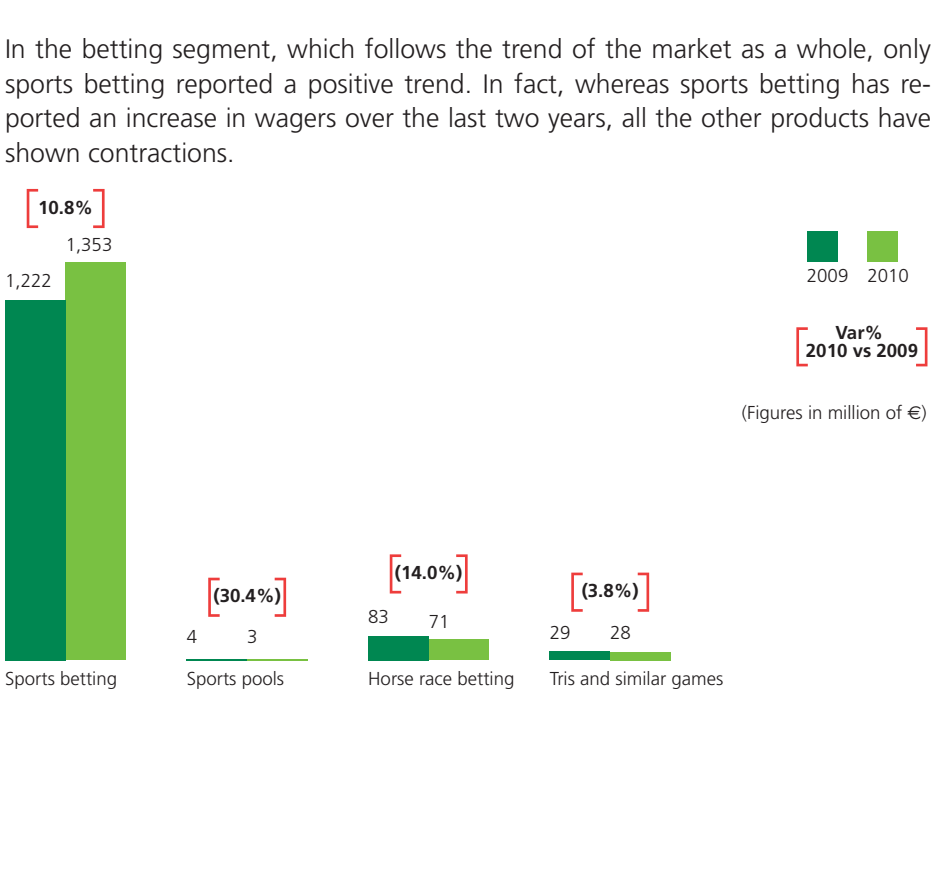


The online market

The online market reported a CAGR (2010-2007) of 66.5% and, as a percentage of the total gaming market, increased from 2.5% in 2007 to 7.9% in 2010.

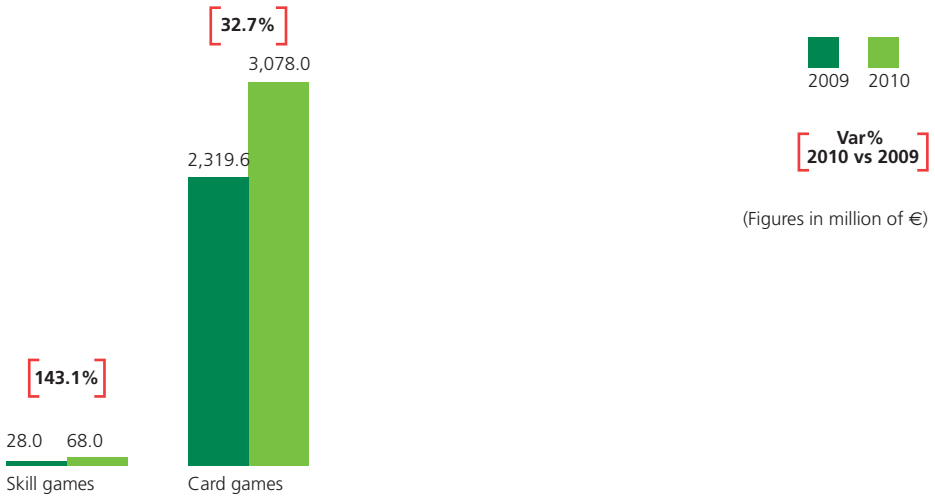


In particular, comparing results of the past two years, there was an increase of 28.2%.
If we analyse the market from the point of view of the segments, we can see that the online market is composed essentially of betting, skill and card games and bingo. The lotteries have less impact on the online segment compared to offline, but we would like to point out the large growth of SuperEnalotto compared to 2009 (+156.4%) and the high volumes of wagers in Vinci per la vita–Win for Life during its first months of operation.
The graph shows an increase of 32.7% in the card segment, compared to an increase of 8.8% in the betting segment.



In the betting segment, which follows the trend of the market as a whole, only sports betting reported a positive trend. In fact, whereas sports betting has reported an increase in wagers over the last two years, all the other products have shown contractions.

The following graph shows the skill and card games segment subdivided into the two products. As you can see, almost all of the income here derives from poker tournaments (card games), which grew significantly compared to 2009 (+32.7%). In the skill segment, on the other hand, wagers amounted to €68 million (equivalent to 2% of the overall wagers for skill and card games), with an increase of 143% compared to the previous year.



Lastly, Bingo Online, launched in December 2009, reported wagers in 2010 of approximately €146 million. It is interesting to note that wagers increased during the course of the months of 2010, proof of the online game's growing popularity with the public, due both to the high payout level of 70% and the option for players to join a chat community, through which they can share their enthusiasm for the game of bingo.

As in recent years, the continued growth of the gaming market as a whole was accompanied by fiercer competition, especially in segments of rapid growth like sports betting, AWP machines and online gaming in general. Having said this, however, the overall result of the Group was positive. The Group's share of the market increased to approximately €7.2 billion (+7.3% compared to 2009) and its market share settled at approximately 11.7%, slightly less than in 2009 (12.3%), but with significant growth factors in some of the above-mentioned segments, particularly AWP machines. In this sphere, thanks to enormous efforts in the area of organization, sales and technology, it proved possible for the Group to launch the new VLT gaming machines before most other concessionaires. The results were immediately very encouraging and, by the year end, enabled the Group to secure a market share of more than 18% in this specific field.

As far as the market of offering services to the public, businesses and the Government is concerned, 2010 was a year of further growth. It is estimated that the segment recorded an overall value of transactions of approximately €13.4 billion, with an increase of more than 28% compared to 2009.

For the first time, the Group's financial services for the public (prepaid refill cards) were the top segment in terms of receipts (32% as a percentage of the total from all services in 2010), followed by prepaid scratch cards for mobile phones (31%) and payment services (payment of bills, fines and taxes) with 29%. The remaining 9% from services in 2010 came from phone cards, digital TV (refills and subscription payments), ticketing (receipts from tickets bought on the Internet) and products (sale of collectable mini-toys).

In 2010, the most important trend was set by financial services, with an increase in receipts compared to 2009 of +152%, followed by payments (+59%).
The financial services segment benefited from growth in the market of prepaid cards, especially Postepay which, in 2010, was again the best-selling refillable prepaid card in Italy, with approximately 6 million users. The Sisal network leads the field in terms of refill operations.

The growth of payments, in a market where the share of non-domiciled payments did not show significant growth, was favoured both by the extension of the Group's distribution network and the completion of the offering during the year.

In both the segments – financial services and payments – where the Parent Sisal Holding Finanziaria S.p.A. operates directly, the results confirmed the interest of the market in alternative payment solutions to the traditional ones (post offices and banks) which respond better to users' needs in terms of opening hours and accessibility to services.

There was an increase in receipts from for mobile scratch card refills of +13% compared to 2009, thanks mainly to the extension of the distribution network. The trend is even more significant if we consider the level of maturity of the mobile telephony scratch card refill market and the trend on the part of operating companies to promote online refills, to the detriment of widespread distribution channels.

Also increasing is digital TV (both from the sale/distribution of TV content refills and from activities for the payment of subscriptions and invoices) by +7% compared to 2009. This segment benefited from the completion of the offering (activation, offers and sale of Sky refills, collection of invoices and sale of Mediaset Premium smart cards). In contrast, in the case of phone cards, 2010 again recorded a contraction (-17% compared to 2009), owing to the structural decline of this market in favour of mobile telephony.

As regards products, still a sector of marginal importance although a 51% increase was posted compared to 2009, in 2010 the offering was extended through agreements reached by the Group with Mattel and two smaller operators.

Overall, in 2010, the Group reported receipts from its nationwide networks of non-gaming services of €4.2 billion, an increase of approximately 51% compared to 2009. Furthermore, in 2010, its market share in this segment is estimated to be approximately 31% (+4% compared to year-end 2009).

Operating performance

The year 2010 recorded growth of about 13.6% in revenues compared to 2009. This performance reflects the trend of the various segments in which the Group's business is conducted, in particular:

- In the "gaming segment", the result recorded by NTNG was noteworthy: higher than expectations but about 11% lower than in 2009. This change can be ascribed to certain major factors: the first is the exceptional result recorded during the previous year thanks to the jackpot effect on revenues, which was not replicated in 2010 even though there was a record jackpot. Secondly, there was the enormous success at the start (last quarter of 2009) of the new game Vinci per la vita–Win for Life, which during 2010 consolidated its presence in the gaming market and lastly, and certainly not least, the full-year effect of the commissions paid to Sisal S.p.A., the Group's concessionaire, under the new remuneration conditions in the agreement signed in mid-2009, as a result of which, for the first six months, the concessionaire had benefited from a higher percentage fee. There was also a contraction in the betting business, which reported a decline in total revenues of about 24%, due to the performance of fixed odds sports betting and the negative trend in horse race bets. In fixed odds sports betting, even though the betting volumes grew (+6%), revenues decreased by about 25% as a consequence of an abnormal contraction in the margin for all the operators (for the Group's concessionaire, the margin fell to 13%, compared to over 18% in 2009). As for horse racing bets, the negative performance (about 20% less than in 2009, from the standpoint of bets placed and revenues) was penalised by the modest appeal of the racing programme and low payouts. As for the online channel, the consolidated success of tournament-style poker led to revenues of over €13 million (+28% on 2009) in addition to another approximate €0.7 million of revenues from new online skill and card games begun during 2010 on the basis of the regulation issued by AAMS. Concerning the AWP machines, the Group further increased the number of machines installed and operating in the territory in 2010, with an increase in the number at the end of the year of about 3,900 units compared to the end of 2009 (+14%); as a result, overall revenues rose to more than €84 million (+35%). The increase is mainly due to about a 13% higher average daily total value played (average coin in) on the AWP machines than in 2009. This is thanks to the combined effects of commercial, organizational and product initiatives and a lower percentage incidence of the single tax from 12.43% in 2009 to 12.062% in 2010 under the new law passed at the end of 2008. In addition to this excellent performance in the AWP area, during 2010, the required certification and testing of the relative technological procedures were completed and the first 1,700 VLT gaming systems were installed at many of the horse racing and sports betting agencies of the Group, third-party networks and also at the first two new retail concept areas owned by the Group named Wincity. The revenues generated by these systems immediately proved very rewarding (more than €8 million in total) thanks also to an average daily total value played, in excess of €1,300.

- In the business segment known as "outlet services", overall growth was recorded (+9% in terms of refill transactions) on the contracts for the sale and/or distribution at the Sisal outlets of telephone cards and telephone and TV content refill cards. The most significant increase was recorded in mobile telephone scratch card refills (+13% over 2009). The revenues, in accordance with the reference accounting policies, are shown net of the cost of the purchase of the prepaid refill cards but gross of the fees paid to the outlet networks, reporting a balance of around €58.7 million, an amount basically in line with that of 2009.
- With regard to collections and payments entrusted to the management of the Parent as an accredited financial intermediary, a further significant increase in volumes was recorded during the year, almost doubling, in fact, those recorded in 2009, thanks in particular to the contribution regarding services rendered on the basis of agreements with important national operators, bringing revenues of around €27 million (+84%). Overall, this business segment generated revenues for the Group which, in accordance with the reference accounting policies, are shown net of the cost of the purchase of the prepaid refill cards but gross of the fees paid to the outlet network, for around €86 million. This is an increase of about 17% over 2009, while the margin of this business in 2010 was equal to approximately €30.6 million compared to approximately €25.6 million in the prior year, increasing by more than 19%.
- Finally, as for the revenues relating to various types of contract relations with the outlets network, an increase of close to €15 million (+27.5% over 2009) was reported, mainly as a consequence of the further growth in the numbers of the network itself, which reached almost 39,000 units at the end of 2010, compared to about 33,000 in the previous year.

As far as changes in operating costs, including depreciation, amortisation and provisions, an increase of about 16% was recorded, which is slightly higher than the percentage growth of the total revenues and income of the Group. These costs, net of expenses for specific purchases and fees paid to the outlets network for services relating to telephone and television content refills, collections and payments and the receipts on the AWP machines, led to an increase of some 6% compared to the prior year. The increase is mainly attributable to higher depreciation charges of tangible assets (mostly gaming terminals and AWP machines) and amortisation charges of intangible assets (principally due to the full-year amortisation charge on concession rights for operating and developing NTNGs) and the partial write-down (for about €8 million) of the concession rights recorded in the consolidated financial statements for national horse racing bets and sports pools (owing to the declining trend of these traditional products). Service costs, on the other hand (the largest component of the Group's structure costs), recorded a reduction of slightly less than 3%, thanks to the implementation during the year of a programme revising the expenditure models, with the aim of improving the efficiency of operations while observing the commitments undertaken as part of the existing concession relations.

In view of the performance described above, the gross margin recorded an increase of more than 8%, while the operating margin posted a decrease of more than €4 million and a percentage reduction of about 6%.

From the standpoint of the financial position and with particular reference to the loan contract (denominated Senior Credit agreement) signed in previous years by the Parent and Sisal S.p.A. and other Group companies with a syndicate of banks, with The Royal Bank of Scotland plc acting as agent bank, for the operation for the purchase of the indirect controlling interest in Sisal S.p.A., finalised at that time, in 2010, the formal period of the syndication ended (established by the contract agreements in force) without there being any change in the lender banks. Subsequently, the Parent was informed of the entry into the syndicate of Banca Popolare di Milano, which took over €20 million of the loan held by the agent bank. Again during the year, a contractual modification was also agreed so that the Parent and the other companies financed could activate financial operations such finance leases to sustain investments or short-term cash lines for short-term working capital needs up to a total maximum amount of €40 million for each type (previously the limit was €20 million).

During the year, the Group paid the lending banks interest and commissions totalling around €43 million. The sole shareholder of the Parent, on the other hand, was paid about €13 million in interest on the outstanding loan received on the aforementioned operation and principal was repaid for around €5 million; a further approximate €18 million was capitalised according to the agreements reached at one time with the lender shareholder. Beginning on January 1, 2010, the further loan of €60 million, extended by the sole shareholder of the Parent in the prior year, also became interest bearing. The loan, denominated "subordinated zero coupon shareholder loan", is subordinate to the obligations deriving from the Senior Credit agreement.

The key indicators relating to the net invested capital (NIC) are summarised in the following table:

(in thousands of Euro)	**2010**	**2009**	**Change**
Net invested capital (NIC)	1,163,228	1,131,876	31,352
Funding from third parties	1,049,404	1,005,284	44,120
Net equity (consolidated)	113,824	126,592	(12,768)
Debt/equity ratio	9.22	7.94	
Normalised ROI (EBIT/NIC)	6%	7%	

It should be noted that the net invested capital is determined as the algebraic sum of the statement of financial position items relating to trade receivables and payables, inventories, fixed assets, employee severance indemnities, provisions for risks and charges and other assets and liabilities, neutralising the effect of timing differences in the settlements of the captions relating to the gaming and services working capital (including cash earmarked for the payment of prizes) for a total of approximately €411 million.
The increase in net financial debt, limited in percentage terms to about 4%, other than servicing financial debt contracted with the lending banks and the sole shareholder of the Parent, is principally justified by the continuing investment programme, which has necessitated overall disbursements of approximately €90 million, including about €37 million for the payment of the second tranche of the VLT concession rights acquired and capitalised at the end of the prior year. The Group was able to meet these obligations not only by activating available credit lines but also, and above all, in 2010, through the conspicuous cash flows providing by operating activities which, in terms of gross profit, have been the highest ever in the history of the Group. Consequently, as in previous years, the Group complied with the financial covenants established in the aforementioned loan contract, in each of the quarterly monitoring periods.

On top of the concessions for the management of gaming, the following principal developments are reported:

Concession for the operation and development of national totalisator number games (NTNG)

- On April 2, 2008, Sisal S.p.A. was declared outright winner of the tender held in July 2007 for the award of the concession for the operation and development of national totalisator number games, including Enalotto, being chosen in preference to the offers submitted by Lottomatica S.p.A. and Snai S.p.A.
- On June 26, 2009, after a process lasting a total of approximately two years and the positive outcome of the verification processes conducted by AAMS, especially relating to the offer made by Sisal, an agreement was drawn up between the Administration and Sisal that regulates the concession relationship.
- On the legal front, Sisal S.p.A. had to contend with some appeals to the administration tribunal presented 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), aimed mainly at gaining access to all the documentation and having the provisional and permanent concession awards overturned. These include the appeals presented by Snai S.p.A., which complained that the specific points contained in its proposals had not been sufficiently taken into consideration compared to the evaluation of the same points described in Sisal's proposals, and by Lottomatica S.p.A. objecting to the failure of the selection commission to carry out the verification procedure of a so-called 'anomalous' offer. With specific reference to this latter appeal, on March 25, 2009, AAMS announced its decision to instruct the tender committee to carry out a preliminary investigation to verify the appropriateness of the offering presented at that time by the Parent. The verification by the selection commission was completed on May 18, 2009, establishing that

the technical and economic offering presented by Sisal was fair and reliable, effectively removing the substance of the appeal made to the TAR by Lottomatica S.p.A. against the outcome of the selection procedure. As a result, with reference to the legal action started by Lottomatica S.p.A. and Snai S.p.A. against the final award of the tender in favour of the Group company, at the hearing on May 27, 2009, the companies presenting the appeal asked for a period in which to examine the outcome of the verification procedure with the aim of proposing, if they so chose, additional objections, which were subsequently presented. On June 25, 2009 and July 14, 2009, Snai S.p.A. and Lottomatica S.p.A. presented an additional brief against the ruling of the Commission. At the time of this report, the procedures are still pending, since a date for the public hearing to discuss the above-mentioned appeals has yet to be set. In Sisal S.p.A.'s opinion, the appeals are unfounded with reference to the claim regarding the presumed anomaly of the offer and, with specific reference to the appeals presented by Snai S.p.A. and Stanley International Betting Limited, unacceptable, since they were presented by companies which had no interest in making an appeal; in the case of Snai S.p.A., because of its position in the final classification of the award, and in the case of Stanley International Betting Limited, because it did not participate in the tender.

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

- Sisal Slot S.p.A. operates in the AWP gaming segment and replaced Sisal S.p.A. in the concession relationship with AAMS, by means of a special addition to the concession agreement for the activation and operation of the network for online management of legal gaming through AWP machines, and of the associated activities and functions, stipulated on June 3, 2006.
- Recently the following developments have taken place: firstly, with its directorial decree of August 6, 2009, AAMS laid down the regulations for starting up new gaming systems described in art. 110, paragraph 6, letter b) of TULPS (the so-called "VLT", or Video Lottery Terminals), stating that this activity comes under the subject of the agreements already in force for the operation of the AWP machines network and can, therefore, be entrusted to operators which, like the above company of the Group, already hold concessions. Then, in March 2010, an additional and supplementary act to the concession agreement was stipulated between Sisal Slot and AAMS, with the aim of making the current clauses contained in the agreement, which were principally concerned with AWP machines, compatible with gaming using the new VLT terminals. Lastly, the current agreement was extended by a supplementary act on September 28, 2010, providing for the end of this agreement after completion of the necessary procedures for a new award of the concession, for the duration of nine years, which AAMS is required to start from May 16, 2011. The agreement also states that, in any case, the current agreement will no longer be valid after December 31, 2011.
- For some years now, although the sector has continued to grow and be dynamic, it has been fraught with disputes that have created a general situation of serious difficulty and uncertainty. Only recently have there been any positive

developments – in particular, the examination of the case for the penalties or fines that AAMS and the Prosecutor at the Court of Auditors believe can be applied to concessionaires of gaming machines, which, as we have just said, has recently had a positive outcome, despite initial forecasts. However, the content is even more complex and sufficient to warrant a brief summary. First, supposing that a concessionaire fails to comply with the obligations of the agreement, there is now a clear division between the penalties which AAMS can apply to the concessionaire, based on the provisions of the concession agreement, and the damage in terms of lost fiscal revenues which such non-compliance may cause, and for which the Court of Auditors can ask the concessionaire to pay damages.

The first hypothesis of non-compliance with the terms of the agreement involves, in substance, the delay with which the online network for managing the machines was activated, at the beginning of the concession period. In this regard, AAMS initially applied penalties for a total of €2 million to the Group company concessionaire, and the TAR court responsible annulled the penalties, which were subsequently reapplied to the Group company by AAMS for a total of €200 thousand. This time, the TAR court decided that a penalty of this amount was justified, and the concessionaires appealed against the decision before the Council of State, where the matter is still pending with regard to the subsidiary and the other concessionaires involved.

However, on December 23, 2010 the Council of State filed a verdict on the appeal presented by the concessionaire B Plus Giocolegale against the sentence of the TAR court of Lazio, which found the penalties applied to it by AAMS, with regard to the late start-up of the online management of the machines, to be justified. The Council of State upheld the appeal, annulled the penalties and ordered AAMS to pay legal expenses, on the basis of the following main arguments:

- Despite the existence of a formal agreement, civil laws can be fully and comprehensively applied with regard to attributing failure to comply with the terms of the agreement, proof of the damage caused and the fairness and amount of the sanction.
- However, before the penalty can be imposed, some objective damage must exist for the Administration.
- The defense of the Administration has not been able to demonstrate that the failure to comply of which the concessionaire has been accused was decisive, or even partly to blame, in the generalized delay in the start-up of the public service; in fact: a) the creation of an online network without precedent in the world was a prerequisite for the activation of the service and, that being so, the parties involved were fully aware that a period of testing would be inevitable; b) precisely during this phase, a series of unforeseen technical and administrative problems was encountered, leading to a widespread delay in the start-up of the service; c) a large number of the machines initially type-tested and approved by AAMS proved to be sub-standard, so that AAMS had to issue new instructions to the concessionaires, which instituted a testing relationship in progress; d) the concessionaires were all unfamiliar with the set-up of the machines; e) the delays in the start-up of the service were due to obstacles left by the previous

operators of the machines relating to the stipulation of contracts with the concessionaires and the removal of outdated machines. The resolution of these problems could not therefore be considered by the Administration to be exclusively the concessionaires' responsibility.

- Further aspects of a more technical nature corroborate the concessionaire's defense.

The verdict summarized above, which should be replicated in the verdicts to be announced by the Council of State with regard to similar appeals presented by all the other concessionaires, is therefore in favour of the theory which they have always sustained. There is reason to believe that the verdict may be appropriately considered and evaluated in the sphere of the proceedings before the Court of Auditors described below; in fact, in the latter proceedings, the Court has asked for clarifications concerning the technical and behavioural reasons which may have led to the delay in the start-up of the network.

The Prosecutor of the Court of Auditors has issued a summons requesting a parallel verdict for the concessionaires to pay compensation for lost fiscal revenues caused by the delay in the start-up of the network, citing the original amount estimated by AAMS. In its verdict and simultaneous ruling filed on November 11, 2010, the Court of Auditors decided that, in theory, the compensation for lost fiscal revenues could be demanded from the concessionaires, a principle already used by the United Sections of the Court of Cassation, to which the concessionaires had brought a preliminary procedure to determine jurisdiction. In this specific case, and taking into account the merits of the case by the defence suggested by the concessionaires, the Court of Cassation entrusted the non-profit public entity Digit P.A. with a consultancy contract, with the results to be delivered in six months, to investigate the technical and behavioural reasons which may have led to the delay in the start-up of the network. These include the possibly deliberate delay on the part of the operating companies of the machines in stipulating the contracts required to connect the machines to the online system; the scarcity of communication lines; the existence of machines which had been type-tested and approved despite having different communication ports; the suitability of the characteristics of the central systems of AAMS and Sogei and the fulfilment on the part of all the concessionaires of all the required technical prerequisites for the network to be activated on schedule.

The Court, therefore, wishes to clarify whether the delay in activating the network, resulting in possible losses in fiscal revenues, may be attributed to the concessionaires or other parties. To this end, and significantly, it has ordered the involvement of Sogei, the company which, on behalf of AAMS, designed, implemented and operated the whole system for the management and control of the machines. As regards the calculation of lost fiscal revenues, the Court ruled that the criteria proposed by the prosecutor could not be taken into consideration (that is, the criteria cited in the agreement to calculate the penalties) and postponed the calculation. The Court said that, from now on, it would take into consideration both the findings of the so-called Monorchio Commission and the opinion of the Council of State, the main aspects of which are described below.

The second hypothesis of non-compliance of the terms of the agreement involves the failure to observe the level of service established in the agreement, relating to the response of the gateway system to the interrogations from the central system of Sogei. In this instance, initially, AAMS applied a penalty to the Group company concessionaire of €1 billion; the TAR court responsible annulled the penalty. Subsequently, AAMS appointed a commission, within the terms of the agreement, which should have established beforehand the criteria for recording and calculating non-compliance and penalties (the so-called Monorchio Commission); the latter not only clarified and established the technical criteria for calculating and recording data but in its final report, partly based on agendas approved by Parliament, introduced the concept of setting a ceiling for penalties, to safeguard the principles of proportionality, reasonableness and equilibrium of the contract. It suggested that the limit should be set at 10% of the net amount in the contract identified, taking into account all the legal relationships associated with the management of the concession, at 0.3% of the wagers.

AAMS, having acknowledged this report, also asked the Council of State, by way of consultation, for its opinion on the system of penalties laid down in the concession agreement; its opinion confirmed the need to establish a maximum limit for such penalties, suggested as being 11% of the remuneration of the concessionaire, leaving AAMS to establish this last parameter, but suggesting that it should be between 0.25% and 1.2% of the takings.
AAMS then suggested that the concessionaires should stipulate a supplementary act to the agreement establishing the maximum ceiling of penalties as 11% of their remuneration, indicated as 3% of the takings; the concessionaires signed this act at the end of October 2010, but stated that the fact that they had signed did not mean that they recognized their non-compliance with the terms of the agreement and that by remuneration they meant the net sum effectively remaining in the hands of the concessionaire and calculated in accordance with the principles of fairness and reasonableness indicated by the Council of State.
On February 18, 2011, AAMS sent the concessionaires "notification that they had failed to observe the levels of service". As a result, having given a description of the facts of the proceedings on the matter and of the various acts that followed, AAMS made it known that the penalty, calculated according to the terms of the current agreement, the parameters identified by the technical commission and the information present in the databases of AAMS and Sogei, for the period July 15, 2005 - March 12, 2008, as far as the subsidiary is concerned, would be equal to €46,399,750.00. However, by applying the other principles of reasonableness and proportionality demanded by the TAR court and the Council of State and the last supplementary act to the concession agreement, on the basis of which the penalty for each year cannot be more than 11% of the average real remuneration received by the concessionaire, and calculating this remuneration on certain criteria, which, however, are open to question, and by applying the previously mentioned percentage to the result obtained, the contested penalty comes out at €8,995,332.98.
This information – which does not mention the infliction of a penalty, but disputes the alleged non-compliance of the terms of the agreement and the prospects of the possible consequences – having been communicated, the concessionaires have a legal right to present conclusions and comments within 30 days.

Sisal Slot S.p.A. and, it would seem, all the other concessionaires, presented their conclusions, contesting the merits and the form of the contents of the communication from AAMS. In particular, the contestation referred to the following: the non-existence of delays in the responses of the gateway system and, in any case, if there had been any, that the blame could not be laid on the concessionaires; the fact that, in the period under examination, the criteria for recording and calculating penalties had not yet been established by AAMS; the failure to consider the points made by the Council of State in its verdict in the B Plus Giocolegale case, mentioned earlier; and, with specific reference to Sisal Slot, the inclusion in the average real remuneration of amounts that had nothing whatsoever to do with the effective remuneration as a concessionaire.

If AAMS does not accept the conclusions formulated, the infliction of the penalty may be taken before the TAR court of Lazio.

As regards the case brought before the Court of Auditors, again in relation to the gateway, the prosecutor of the Court of Auditors determined, in the above-mentioned summons, that the concessionaires should be ordered to compensate for the original amount of the presumed loss of fiscal revenues, calculated according to the agreement for a total for all the concessionaires as being equal to €98 billion.
In the above-mentioned verdict, the judges of the Court decided that they did not agree with the calculation criteria proposed by the prosecutor, since the prosecutor would have to provide scientific proof of the fact that, firstly, the gateway did not function properly and that this happened for reasons attributable to the concessionaires and, secondly, that this had effectively caused the loss of fiscal revenues (a fact already dismissed by the Monorchio Commission). The concessionaires are now participating in the process being conducted by Digit P.A., in compliance with Italian Law 241/90, and are providing all the necessary documentation.

Again with regard to the sector of AWP machines, on November 17, 2010 the judges of the Court of Auditors issued a verdict which, on the one hand, recognised that one of the roles of concessionaires is as an accounting agent, and that they are therefore required to provide a rendering of the accounts, but, on the other hand, rejected the prosecutor's request to subject the concessionaires to heavy economic fines for having delayed their presentation of the rendering of the accounts, recognising that there was no evidence to show that Sisal Slot S.p.A., in particular, was to blame.

On March 14, 2011, the Regional Prosecutor of the Court of Auditors presented an appeal against this verdict, without producing any new arguments or documents, insisting that the concessionaires must pay heavy fines, which still amount, as far as the subsidiary Sisal Slot S.p.A. is concerned, to approximately €111.6 million for the years 2004-2006 and for amounts to be paid in the following years. The date for the hearing to discuss the case has not yet been set. At the hearing, Sisal Slot S.p.A. will propose the same arguments that were upheld during the first degree.

Concession for the operation of national instant lotteries

- In May of last year, the selection procedure was concluded for the awarding of a concession to several operators for the operation of the national instant lotteries (better known as Gratta & Vinci–Scratch and Win), which expired on May 31, 2010.
- In 2009, Sisal S.p.A. filed an appeal against some of the conditions imposed by the tender and succeeded in obtaining a suspension of the award procedure, which started again in March 2010, following the verdict issued by the Council of State, which in part upheld the company's motives.
- The company, together with the Parent, therefore, continued with the challenging task of implementing the project to take part in the above-mentioned selection procedure, partly by reaching vital agreements with certain commercial partners, including lending banks, to finance the project. However, having tried to achieve this, the problematic economic context and the simultaneous worsening of the financial markets resulted in it being impossible to implement the project that Sisal had spent so long planning and organizing. As a result of this decision and of the fact that no other offers were forthcoming, the new concession was awarded to the only company to make a tender, namely the outgoing concessionaire, Consorzio Lotterie Nazionali (controlled by the Lottomatica Group).

Principal risks and uncertainties to which the Group is exposed

The Group operates in a complex regulatory environment that is subject to continuous evolution. This complexity is emphasised by the nature of the gaming industry, which in recent years has experienced rates of growth not easily found in other sectors.

The strong presence of the State's regulatory activity and of the bodies responsible for the control and management of this market often subordinates the development of the entrepreneurial activities of the Group to the obtaining of authorisations or to participation in public tenders which are made particularly competitive not merely because of the presence of other historic operators in the Italian market, but also by the ever-growing pressure from foreign operators to expand and consolidate their presence in our national market.

The result is frequently a high level of litigation surrounding the outcome of tenders, which is expressed in the numerous appeals and contestations submitted, in some cases opportunistically, in order to create disturbance.

The impact of these factors on the financial statements of companies is amply demonstrated in both the description of the litigation in progress and in the analysis of the effects which regulatory developments have on revenue recognition – and how the modifications to the contractual terms of the concession rights assigned or to be assigned will affect the accounting treatment of the related captions. Group management monitors constantly the evolution of these factors in the light of the companies' many years of experience in the industry, undertaking legal action where necessary to protect the interests of the companies.

The exposure of the Group in particular to pricing, credit and liquidity risks and to the risk of fluctuations in cash flows and the policies developed to deal with these risks are amply described in the section of the explanatory notes dedicated to financial instruments, to which reference is made for further details.

Other information

At the year-ending reporting date, there are some inquiries and investigations pending in certain companies of the Group.

In particular, during the course of the years 2008 and 2009, two tax investigations of Sisal S.p.A. were conducted by the Lombardy Regional Office of the Revenues Agency – respectively, a general type of inquiry on the year 2005 and a partial type of inquiry on the year 2006. The latter, in particular, was aimed at checking income taxes, VAT and IRAP taxes on certain transactions carried out in that period, specifically in reference to the merger between the company and the merged company Sisal S.p.A. (the company resulting from the merger took the name of Sisal S.p.A.) and the tax treatment of certain tax expenses related thereto. This investigation ended on October 22, 2009, with the preparation of a Note of Findings (NoF) mainly containing objections to the pertinence of some expenses connected with the loan secured for the foregoing merger operation, which in turn can be traced to the extraordinary operation for the acquisition of control of the Sisal Group during 2005. In particular, in that NoF, the investigators disputed the deductibility for IRES and IRAP tax purposes of costs for about €8.2 million incurred in 2006 and denied the deductibility of VAT for about €0.5 million in 2005 and about €0.1 million in 2006.

Following this NoF, on December 17, 2009, the Milano 2 Local Office notified the Group company of an assessment for the unlawful deduction of VAT for €530,000 in 2005, plus interest, and imposed fines for the same amount. During 2010, the company promptly appealed the assessment before the Milan Provincial Tax Commission, and so far, a hearing date has not been set. At present, there are no other further known developments on the investigation activities of the office regarding the other observations contained in the above NoF.

On May 10, 2010, the Milan Tax Police Nucleus, Second Complex Inspection Section, entered Sisal S.p.A. with a service order to perform a tax inspection for purposes of direct income taxes for the tax years 2008 and 2009. Later, on June 7, 2010, the officers charged with the inspection presented the company with a supplementary order extending the inspection to cover the tax years from 2005 to 2007, solely with regard to the effects of the same above-mentioned extraordinary operation mentioned for the acquisition of control of the Sisal Group that took place during 2005. The inspection activities were concluded on September 23, 2010 with the issue of a NoF in which the inspectors sustained the extraordinary operations put in place for the above acquisition, which fall under the scope of the anti-evasion law under art. 37-bis of DPR 600 of September 29, 1973. According to the inspectors' thesis, the deeds and juristic acts realised as part of these operations would have been lacking in valid economic reasons and would have generated an unlawful tax advantage represented by the company's deduction of finance expenses for IRES tax purposes. In particular, the finance expenses which would be unlawfully deducted, in the inspectors' opinion, amount to a total of approximately €37 million between the years 2005 and 2008 in addition to, on the basis of the indication to the competent office contained in the NoF, expenses relating to the year 2009, for which – at the date of the NoF – the deadline for filing the tax return had not yet expired, estimated in the NoF at about €9.5 million.

On the basis of that NoF, on November 19, 2010, the Milan Provincial Office II sent the Group a request for clarifications under ex art. 37-bis of DPR 600 of September 29, 1973, for the tax period 2005. The Company, on January 17, 2011, replied to the above questionnaire providing ample arguments and documentation as confirmation of the inapplicability of art. 37-bis cited above.
At present, there are no other further developments on the inspection activities of the office regarding the above matter.

At the same time as the above inspection activities of Sisal S.p.A. ended, the same officers of the Milan Tax Police Nucleus began a further tax inspection of the Parent for the purposes of direct income taxes for the tax year 2008. On January 24, 2011, the officers advised the Company of the extension of the inspection activities to the tax years 2006, 2007 and 2009, solely with regard to the substantive control in progress on the finance expenses deriving from the operation for the acquisition of the controlling investments of the Sisal Group, which was finalised in the month of October 2006.
On February 28, 2011, the inspectors illustrated the critical areas found during the investigation, which are summarised in a document that was delivered for viewing to the Company. The document shows, to their way of the thinking, that the sum of the corporate and financial transactions put in place in 2006 at the behest of the private equity funds Apax Partners and Permira are to be considered lacking in valid economic reasons and preordained to generate exclusive and huge tax advantages only for the shareholder investors. Such circumstances would constitute conditions necessary and sufficient to form an assumption of the "abuse of a right" as defined by the doctrine of law of the Court of Cassation and to recover after taxation the non-deductible interest expenses, unlawfully recorded by the Parent. As of the date of the preparation of these financial statements, however, the relative NoF has not yet been issued and signed.

Again in 2010, the company Sisal Slot S.p.A. also became the subject of a tax inspection on the part of the Lombardy Regional Office of the Revenues Agency – Large Taxpayer's Office, aimed at income taxes and VAT on the subject of the extraordinary transactions in the tax year 2007 regarding "property, plant and equipment" and "provisions for risks and charges" in the financial statements of the same year. On December 22, 2010, the inspection activities ended with the issue of a NoF containing, for the most part, the objection to the allegedly illegitimate deduction in the period under question of higher depreciation charges relating to the type "comma 6" slot machines for about €1.5 million, due to the Group company's adoption of a tax depreciation rate (20%) not considered fair by the inspectors. During the early months of 2011, the Group company, as advised by its legal counsel, filed by the deadline its formal observations with the office in which it described the reasons for which the company believed that the observations made by the inspectors could not be shared and were distorted by elements of error.

Considering that the issue of a NoF, let alone the delivery of a preliminary document containing observations, does not constitute the assessment of a violation on the part of the office and does not of itself lead to the formulation of a tax demand, the Group, with reference to the above-described inspection activities and the consequent observations noted, believes, also on the basis of the preliminary assessment conducted by its tax consultants, that the assumptions of the inspectors show various profiles of error in fact and in law and that, particularly as concerns the inspection relating to the Parent and the company Sisal S.p.A., a correct assessment was not made of the nature and economic reasons for the extraordinary operations put in place as part of the acquisition operations which took place in the two-year period 2005-2006 and carried out in full observance of the legal-corporate and tax laws in force.
In view of this and at this time, it is estimated that such proceedings will not have significant consequences for the Group and that, in any case, currently, no conditions exist for considering the expenses probable and/or quantifiable in terms of higher taxes, interest or legal fines.

With reference to Decree Law 40, the so-called 'Incentives' decree published on March 26, 2010 and later converted into law in May 2010 and, in particular, the provision relating to art. 2.2, which forbids concessionaries of the State from having any commercial relationship with third parties unless expressly contemplated and regulated by the concession and by the relative call for tenders and establishes that the concessionaires have the obligation to pay to the granting state administration any sums received by virtue of such relationships, the company Sisal S.p.A., during 2010, obtained specific legal opinions which confirm, first of all, how an in-depth examination of the law leads us to consider that it is not applicable to commercial relationships held by the company itself, in particular with the collectors in reference to the NTNG concession and also brings to light profiles of unconstitutionality, in that such law limits without appreciable reason the liberty of private initiative and does not appear consistent with community principles.
In this sense, the Group company has formally notified AAMS during the year not to consider the above law applicable to commercial relationships enjoyed by the same and the identical opinion, with the request also to convene a round table discussion with all the concessionaires, was later sent to the Administration by the company Sisal Match Point S.p.A. With regard to this matter, Confindustria has also taken an interest and at the end of July 2010 sent a letter to the Ministry of Finance and to AAMS, stressing the profiles of unconstitutionality of the aforementioned law and the opportunity of its modification in order to avoid, in any case, that a possible wrong interpretation of that law could be applied to the gaming sector.
Subsequently, in the second half of the year, Sisal S.p.A. received thousands of letters of formal notice on the part of the collectors, mainly members of the Sindacato Totoricevitori Sportivi – STS Union, to which it formally replied, confirming the non-applicability of the law in question with regard to existing relationships with them and thus the continuity of the contractual obligation to pay the monthly fee for the additional services under art. 8 of the contract for the National Totalisator Number Games (NTNG) physical points of sale. In the meantime and also afterwards, the company nonetheless continued to invoice and receive the amounts due without any particular critical areas.

Information regarding employees and the environment

At December 31, 2010, the Group had 1,206 employees. There were no instances of mortalities or serious injury in the workplace to report, nor cases of occupational diseases affecting employees or former employees nor cases of mobbing.

With regard to the question of the possible environmental impact of the Group companies' activities, it is emphasised that during 2010 no instances of environmental damage attributable to companies of the Group were identified nor were fines or penalties definitively imposed on them for environmental violations or damage. Concerning policies for the disposal of and recycling of refuse and/or industrial waste, we report solely that there are procedures in place for the disposal of packaging, electronic components and/or consumables from electronic equipment (such as photocopier toner) through the services of specialist suppliers.

Development and investment activities

In 2010, as in prior years, significant investments were made towards the modernisation and strengthening of the Group's systems infrastructure.
In particular, the Group invested in tangible assets for a total of about €45 million, of which more than €30 million was spent for the purchase (partly through finance leasing contracts) or technological updating of slot machines and terminals for wagers and services. To be more specific, during the year, about 740 AWP machines of the latest generation were purchased, as well as 2,000 gaming terminals, known as "Leonardo", manufactured by the American company Scientific Games. An important agreement was signed with this company at the beginning of 2008 for the supply of this new gaming equipment over several years. An agreement was also sealed in the previous year with the Greek manufacturer Intralot for the supply of 6,000 other gaming terminals named "Microlot", with a different technological configuration, considered on the whole as being more valid.
During the year, other investments were made for about €4.5 million in plant and various restructuring operations in many points of sale that are part of the horse racing and sports betting agencies, particularly those intended to welcome the new VLT gaming systems. Another approximate €3.5 million was invested in two Wincity sales points that were opened in the second half of the year in Rome and Milan, with new openings scheduled in Brescia and Turin. More investments are planned for about €2 million in hi-tech equipment under the project to modernize the SisalTV network.

With regard to investments in intangible assets, again in 2010, activities continued to develop new product applications for corporate operations and user licences were purchased for a total value of about €7.3 million. As part of those activities, at December 31, 2010, about €1.1 million of that amount had been invested in the programme for the implementation of the new SAP operations software. The first modules became operational in January 2011.

Sisal Match Point S.p.A. also concluded agreements during the year for the acquisition of the rights to operate public and sports games betting for an equivalent amount of about €3.7 million, of which €0.9 million is goodwill.

Finally, during 2010, the process has been completed for the migration of real-time connections with Sisal outlets in the country onto the higher performing and more economical ADSL technology. This activity was begun in prior years and, in 2010, has seen about 5,000 activations.

Transactions with parent companies

As described earlier in this report, with regard to the ultimate parent, Gaming Invest S.àr. l., it should be noted that there existed at the end of the year two shareholder loans (of which the second loan for €60 million became interest-bearing on January 1, 2010) extended by this company to the Parent for a total of €367.9 million of principal, in addition to €6.6 million of interest accrued, but not paid.

Transactions with related parties

With regard to financial and commercial transactions with related parties, it should be mentioned that the Group has transactions with S.P.A.T.I. S.p.A., the shareholders of which are also shareholders in the ultimate parent.
Further details are provided in the explanatory notes to the financial statements.

Number and par value of own shares

Neither the Parent nor other Group companies possess treasury shares, nor do they possess shares or quotas of ultimate parent companies, including holdings through fiduciaries or nominees, and during the year there have been neither purchases nor sales of such shares or quotas.

Significant events occurring after the year-end reporting date

In addition to what has already been described previously about the latest developments concerning the principal concession relationships, the following should also be mentioned.

By directorial Decree prot. 2011/190/CGV of February 8, 2011, published in the Gazzetta Ufficiale of the Republic of Italy No. 56 of March 9, 2011, the starting date was established for the obligations pursuant to art. 24, paragraphs 11 to 25 of Law 88 of July 7, 2009 which constitute the general conditions for access to the concession for online betting operations.
Together with this Decree, the specific schemes for the application inherent to the procedures for granting the concession for exercising public games pursuant to art. 24, paragraph 11, letters from A) to F), of Law 88 of July 7, 2009 (tender published in the G.U.U.E. of March 10, 2011 S-48-079188) and the procedure for the integration of the concession agreement for the online public gaming operation pursuant to art. 24 paragraph 22, of Law 88 of July 7, 2009, as set out in article 2, paragraph 2 of the directorial Decree 2011-190-cgv of February 8, 2011 – the starting date of the obligations relating to online betting. The companies Sisal S.p.A., Sisal Match Point S.p.A. and Sisal Bingo S.p.A. have resolved to take part in the above-mentioned procedures.

As regards Decree Law 40 of March 26, 2010, referred to previously under "Other information", on May 25, 2011, the second section of the Council of State published its opinion No. 01264 on the applicability of art. 2, paragraph 2 of the Decree Law to gaming concessions, in accordance with the request made by the Ministry and Economy and Finance.

The opinion request originated from the consideration that, on one hand, the purpose expressed by the law is "to ensure full compliance with the community principle on competition" and, on the other hand, the gaming concessions, firstly, "constitute a type of concession of services and that, as such, do not fall under Community Directive EC/2004/18" and, secondly, contain the "expectation – quite frequent with regard to the call for tenders regarding gaming – of recourse to third parties for matters regarding the management and organization of the activities covered by the concession".

The Council of State deemed that the law "undoubtedly" also applies to gaming concessions, as well as all concessions generating tax revenues, in consideration of the literal tone of the law; moreover, it confirmed "the exception to the prohibition" of relationships between concessionaires and third parties in the case in which, as cited in the law, such relationships are expressly contemplated and regulated by the call for tender, also emphasising how the rationale of the law is to allow "effective control over the subjects that exercise takings from gaming activities".

In view of this opinion, we believe that all the concession-granting entities, comprising, for the gaming sector, the State monopolies, can now complete the verification of the existence, if any, of such relationships by all the concessionaires.

Having taken into consideration the expectations contained in the call for tenders for the NTNG concession, their regulatory and procedural content, the absolute observance of the above-mentioned rationale of the law, ensured by the actual case in point pertaining to the call for tenders and the subsequent relationship between the concessionaire and the concession-granting entity, it appears sustainable as argued, in light of the pro-veritate opinion obtained by Sisal S.p.A., that the prohibition established by the law does not apply to relationships between the Sisal S.p.A. and its outlets.

Lastly, after several months of negotiations and a successful outcome of the due diligence activities, the deeds will now be finalised for the purchase, by Sisal Match Point S.p.A., of the rights and the concessions for horse racing and sports bets, which are owned by the company Billenium S.r.l. and its subsidiary Bbet S.r.l., through the purchase of the business segments owned by the first and a 100% interest in the share capital of the second, for a total equivalent amount of slightly less than €5 million. These activities are carried out in 11 points of sale throughout the country and so this acquisition represents, in itself, absolutely one of the most important of the last few years in the history of the Group.

Business outlook in 2011

Although on a macroeconomic level, there are persisting signs of weakness owing to the current economic phase, and the national economy, as in other countries, especially in the Mediterranean area, is struggling to emerge from the phase of recession and set off confidently on a new path towards growth, corporate plans for the current year and next year are still exploiting significant growth factors in the reference markets and especially the gaming market. In this sphere, there is expected to be a slight but constant decline in traditional products concurrent with exuberant growth in the new video lottery terminals (VLTs) and online gaming, both of which have high payout levels; consequently, a steady increase in wagers will be accompanied by much more modest growth in terms of the net expenditure of the public. Furthermore, there is expected to be further intensification of the competition with regard to strategies to win over customers and retain customer loyalty on the part of distribution networks, which will possibly have an impact on levels of profitability for operators in the sector.

Confronted with these scenarios, and taking into account the different characteristics of each segment, the strategy of the Group will focus on the pursuit of profitable growth, expansion through innovation of the product portfolio and the continuous development and strengthening of the organizational structure, without ever losing sight of the principles underlying the corporate philosophy of social responsibility.

The observations just made and the good trend of the business results recorded in the first few months of the current year allow the Group to harbour positive expectations in 2011 with regard to the economic results of the various lines of business and for the Group as a whole.

Milan, May 30, 2011

On behalf of the Board of Directors
The Chairman
Prof. Augusto Fantozzi

Consolidated Financial Statements as of December 31, 2010

Statement of financial position - Assets

(in thousands of Euro)	Notes	12.31.2010	12.31.2009
A) NON-CURRENT ASSETS			
Property, plant and equipment	1)	115,319,840	101,916,747
Goodwill	2)	870,083,359	869,207,059
Intangible assets	3)	338,289,966	386,325,642
Investments accounted for using the equity method	4)	32,684	40,424
Deferred tax assets	5)	8,781,664	10,599,124
Other non-current assets	6)	11,713,925	11,193,147
Assets held for sale or discontinued operations	7)	0	0
Total non-current assets		**1,344,221,438**	**1,379,282,143**
B) CURRENT ASSETS			
Inventories	8)	10,408,097	13,451,079
Trade receivables	9)	177,082,555	146,322,841
Current financial assets	10)	1,549	1,035,620
Other current assets	11)	24,616,817	17,592,226
Tax receivables	12)	9,417,418	9,559,875
Cash and cash equivalents	13)	472,881,175	356,026,885
Total current assets		**694,407,611**	**543,988,526**
TOTAL ASSETS		**2,038,629,049**	**1,923,270,669**

Statement of financial position - Equity and Liabilities

(in thousands of Euro)	Notes	12.31.2010	12.31.2009
A) EQUITY	14)		
Share capital		102,500,000	102,500,000
Legal reserve		200,000	200,000
Share premium reserve		94,484,316	94,484,316
Other reserves		(70,658,030)	(59,487,923)
Profit /(loss) for the year		(13,383,754)	(14,097,753)
Total equity attributable to owners of the parent		**113,142,532**	**123,598,640**
Equity attributable to non-controlling interests		**681,631**	**2,993,135**
Total equity		**113,824,163**	**126,591,775**
B) NON-CURRENT LIABILITIES			
Long-term debt	15)	1,051,976,137	1,036,438,676
Provision for employee severance indemnities	16)	7,592,445	7,984,377
Deferred tax liabilities	17)	35,218,282	45,466,817
Provisions for risks and charges	18)	9,151,522	9,531,399
Other non-current liabilities	19)	2,576,025	9,366,484
Liabilities relating to assets held for sale or discontinued operations	20)	0	0
Total non-current liabilities		**1,106,514,411**	**1,108,787,753**
C) CURRENT LIABILITIES			
Trade and other payables	21)	227,157,791	208,121,212
Short-term debt	22)	35,791,395	34,285,714
Current portion of long-term debt	23)	23,080,433	16,910,168
Other current liabilities	24)	522,767,087	424,452,879
Taxation payable	25)	9,493,769	4,121,168
Provisions for risks and charges	26)	0	0
Total current liabilities		**818,290,475**	**687,891,141**
TOTAL LIABILITIES AND EQUITY		**2,038,629,049**	**1,923,270,669**

Statement of Comprehensive Income

(in thousands of Euro)	Notes	12.31.2010	12.31.2009
Revenues	27)	674,077,594	568,703,482
Fixed odds betting income	28)	57,980,591	77,405,068
Other revenues and income	29)	3,917,281	1,941,470
Total revenues and income		**735,975,466**	**648,050,020**
Materials, consumables and subsidiary goods	30)	16,871,569	17,794,364
Costs for services	31)	448,067,164	380,975,727
Lease and rent expenses	32)	11,407,022	9,945,415
Personnel costs	33)	59,407,198	56,670,041
Other operating costs	34)	33,660,985	29,220,274
Total costs		**569,413,938**	**494,605,821**
Gross operating result before amortisation, depreciation, provisions and impairment losses and reversals		**166,561,528**	**153,444,199**
Amortisation, depreciation, provisions and impairment losses and reversals	35)	96,113,712	78,774,656
Net operating result (EBIT)		**70,447,816**	**74,669,543**
Finance income and similar	36)	1,555,944	6,707,587
Finance expenses and similar	37)	79,580,393	88,110,011
Adjustments to financial assets	38)	0	0
Share of profit/(loss) of companies accounted for by the equity method	39)	(7,740)	(7,383)
Result before income taxes		**(7,584,373)**	**(6,740,264)**
Income taxes	40)	5,289,196	6,332,179
Result from continuing operations		**(12,873,569)**	**(13,072,443)**
Result attributable to assets held for sale/discontinued operations	41)	0	0
Result for the year		**(12,873,569)**	**(13,072,443)**
Other comprehensive income	42)	0	0
Total comprehensive income for the year		**(12,873,569)**	**(13,072,443)**

Statement of Changes in Equity

(in thousands of Euro)	ATTRIBUTABLE TO THE OWNERS OF THE PARENT						
	Capital stock	Legal reserve	Share premium reserve	Other reserves	Retained earnings (Accumulated deficit)	Non-controlling interests	Total Equity
Equity as of December 31, 2008	**102,500**	**0**	**94,484**	**0**	**(60,411)**	**2,131**	**37,204**
Loss for the year					(14,098)	1,025	(13,073)
Total Comprehensive Income for the year	**0**	**0**	**0**	**0**	**(14,098)**	**1,025**	**(13,073)**
Dividends paid (Sisal S.p.A. stockholders' meeting of April 30, 2009)						(163)	(163)
Allocation of the previous year's loss (ordinary session stockholders' meeting of June 29, 2009)		200			(200)		0
Share capital increase (special session of ordinary stockholders' meeting of June 25, 2009)	101,500						101,500
Other changes				1,124			1,124
Equity as of December 31, 2009	**102,500**	**200**	**94,484**	**1,124**	**(74,709)**	**2,993**	**126,592**
Loss for the year					(13,384)	510	(12,874)
Total Comprehensive Income for the year	**0**	**0**	**0**	**0**	**(13,384)**	**510**	**(12,874)**
Other changes				0	2,928	(2,822)	106
Equity as of December 31, 2010	**102,500**	**200**	**94,484**	**1,124**	**(85,165)**	**681**	**113,824**

Statement of Cash Flows

(in thousands of Euro)	12.31.2010	12.31.2009
Result for the year	**(12,874)**	**(13,073)**
Depreciation and amortisation	77,990	67,235
Doubtful accounts charges	7,657	5,551
Property, plant and equipment and intangible assets impairment loss (reversal)	6,860	1,552
Investment impairment loss	8	7
Provision for risks and charges - accruals (releases)	(380)	(735)
Deferred tax charge (credit)	(8,431)	(4,652)
Employee severance indemnities - accrual	2,814	2,883
Other accruals	0	1,124
Result for the year ± adjustments reconciling to cash provided from operations before changes in working capital	**73,644**	**59,892**
Change in working capital	108,435	112,554
Cash flows provided by (used in) operating activities	**182,079**	**172,446**
Increase(-) decrease(+) in intangible assets	(47,093)	(157,427)
Increase(-) decrease(+) in property, plant and equipment	(40,930)	(40,731)
Increase(-) decrease(+) in investments	(1)	1
Increase(-) decrease(+) in other non-current assets	(521)	554
Cash flows provided by (used in) investing activities	**(88,545)**	**(197,603)**
Change in medium-/long-term debt		
Loans repayable after 12 months	14,390	70,564
Payments by shareholders	0	101,500
Increase in capital from non-controlling interests	106	0
Dividends to non-controlling interests	0	(163)
Loans from other lenders - non-current lease instalments	1,149	4,891
Cash flows provided by (used in) financing activities	**15,645**	**176,792**
Increase (decrease) in cash and cash equivalents	**109,179**	**151,635**
Net cash at the beginning of the year	**304,831**	**153,196**
Net cash at the end of the year	**414,010**	**304,831**

Cash and cash equivalents at the beginning and end of the year is the sum of cash and cash equivalents, short-term debt and the current portion of long-term debt.

Explanatory Notes to the Consolidated Financial Statements as of December 31, 2010

Structure and Content of the Consolidated Financial Statements

Sisal Holding Finanziaria S.p.A. is a limited liability stock company established under the law of the Republic of Italy. At the 2010 year-end, the Company had two main activities. The first is represented by the supply of collection and payment services, performed under appropriate authorisations granted by the Italian Exchange Office (today the *Unità d'Informazione Finanziaria*), to third party and group commercial partners. The second is represented by the ownership of a controlling interest in Sisal S.p.A., a company that operates directly and indirectly through subsidiary companies in Italy in the gaming industry, principally on the basis of concessions for wagers in pools, horse racing and sports bets and legal gaming using AWP machines (Amusement With Prize machines) and in the marketing of telephone and television content refill cards, using a network of more than 40,000 outlets and about 160 betting agencies distributed throughout Italy and by the ownership of a controlling interest in Sisal Bingo S.p.A., a company that operates a bingo hall in the city of Naples. Management and strategic services are also rendered to the main subsidiaries, subject to the direction and co-ordination activities of the Company.

The company's registered office is at Via A. di Tocqueville 13, Milan.

These consolidated financial statements, comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes have been prepared from the accounting records in conformity with the International Financial Reporting Standards (IFRS) adopted by the European Union.

In this context, IFRS includes all the International Financial Reporting Standards, all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC) in force at the date of preparation of these financial statements and published at that date in the relevant EU regulations.

The preparation of financial statements according to IFRS may require the use of estimates and specific valuations and the reasonable judgement of management in the application of accounting policies. The matters which present higher levels of complexity and/or greater reliance on assumptions and estimates are detailed in the paragraph "Use of estimates".

The financial statements that follow include all the additional information considered necessary, even if not required by specific legislation. Valuations have been made on a prudent basis and assuming continuity as a going concern, respecting the criteria and the limits established by law absent any grounds for deviation from them, and applying the accruals concept.

The financial statements are prepared in the following manner:

- In the statement of financial position, current and non-current assets and liabilities are shown separately.

- In the statement of comprehensive income, the analysis of costs is made on the basis of their nature.
- In the statement of cash flows, the indirect method is used.

These consolidated financial statements are presented in euros and all amounts presented in the explanatory notes are expressed in thousands of euros unless otherwise stated.

These financial statements were approved by the Board of Directors of Sisal Holding Finanziaria S.p.A. on May 30, 2011.

Consolidation area

The consolidated financial statements at December 31, 2010 include the financial statements at the same date of Sisal Holding Finanziaria S.p.A. (the Parent) and those of the companies in which that company possesses directly or indirectly through subsidiaries more than half of the voting rights, thanks to an agreement with other investors, or the power to determine the financial and operational policies of the company through a contract or a clause in that company's bylaws.
A company is also considered to be controlled under IAS 27 if the Parent retains the right to appoint or dismiss the majority of its board of directors or exercise the majority of voting rights in the governing body when the control is held by that body.
The list of consolidated companies, all included using the line-by-line method, with details of their name, registered office, capital and percentage owned, is provided in Annex 1.
Controlled companies excluded from the consolidation are measured applying the methods described under "investments".

Financial statements used for consolidation

The statements of financial position and the statements of comprehensive income of subsidiaries used for the consolidation have been prepared by the individual subsidiary and transmitted to the Parent and are consistent with the financial statements at December 31, 2010, approved by the shareholders' meetings of the respective companies.
The Group's accounting policies are in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) and approved by the European Commission for the preparation of consolidated financial statements by companies with equity or debt securities listed on one of the European Community's regulated stock exchanges.

Reference date for the consolidated financial statements

For the 2010 financial year, the statement of comprehensive income reflects the accounting period considered in the financial statements of the Parent Sisal Holding Finanziaria S.p.A. and of all the other companies, subsidiaries and associates, from January 1, 2010 to December 31, 2010.

Consolidation method

For companies consolidated line-by-line, all assets and liabilities and all costs and revenues have been included. In the preparation of the consolidated financial statements, the accounting principles and methods of valuation adopted are the same as those of the Parent.
The key consolidation criteria adopted are the following:

- The consolidated financial statements include the financial statements of all subsidiaries from when control over such subsidiaries by the Group commences until the date that control ceases and is transferred to third parties. Beginning on December 31, 2010, business combinations are recorded in accordance with IFRS 3R. At the date of acquisition of control, the equity of acquired companies is determined by attributing a fair value to the individual elements of assets and liabilities. Any difference relative to the cost of the acquisition, if positive, is recorded as goodwill and, if negative, is recognised in the statement of comprehensive income as income from the concluded transaction. Transaction costs are recorded in the statement of comprehensive income when incurred.
  Contingent consideration, considered part of the purchase price, is measured at fair value at the acquisition date. Subsequent changes in fair value, if any, are recognised in the statement of comprehensive income:
- Intergroup receivables and payables between companies included in the consolidation area have been eliminated;
- Costs and revenues, expenses and income between companies included in the consolidation have been eliminated, including dividends distributed within the Group, which have been reallocated in the equity of the Group.
- Gains and losses resulting from transactions between Group companies which have not yet been realised with third parties at the end of the reporting period have been eliminated, if significant.
- Memorandum accounts relating to guarantees and sureties between companies included in the consolidation area have been eliminated.

Non-controlling interests

Non-controlling interests in equity and profit are shown as separate items in the financial statements; the non-controlling interests can be measured at either the acquisition-date fair value or according to the proportionate share of the ownership interest in the identifiable net assets acquired. The choice of method is made transaction by transaction.
Changes in non-controlling interests in a subsidiary which do not constitute a loss of control are accounted for as equity transactions. Therefore, for purchases subsequent to the acquisition of control, any positive or negative difference between the purchase cost and the corresponding share of equity is recognised directly in the equity of the Group; for the partial disposal of a subsidiary without loss of control, any gain or loss 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.

Translation of financial statements not prepared in euros

The translation of financial statements expressed in currencies without legal value in the Italian State has been carried out as follows:

- Statement of comprehensive income items have been translated at the average rate for the year.
- Statement of financial position items have been translated at the year-end exchange rate.

Translation differences arising from the application of exchange rates and those originating from the translation of beginning equity at exchange rates prevailing at the end of the financial year, compared to the rate in effect at the end of the prior year, are allocated to a specific reserve in equity denominated "currency translation reserve". The exchange rates applied in the translation of financial statements are the following:

Currency	Average exchange rate for 2010	Year-end exchange rate 2010
British Sterling	0.857844	0.86075

Summary of significant accounting policies

The consolidated financial statements of Sisal Holding Finanziaria S.p.A. Group have been prepared under the historical cost convention where there was choice between cost and fair value.

The accounting policies adopted are described below.

Property, plant and equipment

Property, plant and equipment are carried at cost and recorded at purchase price or construction cost, including any costs directly attributable to bringing the asset to the condition necessary for it to be ready for use.

The expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the statement of comprehensive income in the year incurred. The capitalisation of costs inherent in the expansion, modernisation or improvement of the structural elements owned or leased from 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.

The above assets are depreciated systematically each year on a straight-line basis at rates established by reference to their remaining useful life.
When the depreciable asset is composed of distinctly identifiable elements, the useful life of which differs significantly from that of the other parts that comprise the asset, depreciation is taken separately for each of the parts which make up the asset under the component approach principle.
When capital expenditures made by the companies refer to assets for the management of gaming obtained by concession from 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.

The depreciation rates applied are as follows:

Fixed assets	%
Buildings	3
Plant	10-12-15-25-30
Equipment	12-20-25-33,33
Other assets:	
vehicles	20-25
fixtures & furniture	12
electronic office equipment	20
Leasehold improvements	shorter of the duration of the lease and the useful life of the asset

Depreciation starts when the asset is ready for use considering the time at which such condition actually arises.

The Group tests for impairment at least annually if circumstances indicate that the carrying amount of property, plant and equipment may be impaired. In the presence of such indications, the recoverable amount of the asset is determined in order to establish the amount of any impairment.

The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use. The value in use is determined by discounting estimated future cash flows from the use of the asset and from its disposal at the end of its useful life. Discounting to present value is made using a rate that takes into account the risks specific to the sector of activity. An impairment is recognised when the recoverable amount is lower than the book value. If in subsequent periods the conditions that gave rise to a previous impairment loss no longer exist, the asset value is reinstated to the lower of the recoverable amount and the amount that would have been recorded had no impairment loss been recognised, allocating the difference to the statement of comprehensive income.

Assets held under a finance lease, 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 property, plant and equipment at fair value net of any amounts contributable by the lessor, 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 depreciated in the manner described. When there is no reasonable certainty that the lessee will obtain ownership of the asset at the end of the lease term, depreciation is made over the shorter of the lease term and the useful life of the asset. In the statement of comprehensive income, depreciation and the interest expense relating to the financial component of the lease instalment are recorded in the place of the lease instalments.

Intangible assets

The intangible assets of the Group recorded in the statement of financial position in accordance with IAS 38 consist of assets which are identifiable, have the capacity to produce future economic benefits and can be controlled by the company.
Such assets are recorded at purchase cost, including directly attributable expenses, and are amortised systematically over the duration of their residual possibility of utilisation; however, intangible assets with an indefinite life are not amortised but are tested periodically for impairment.
Assets acquired in business combinations are recorded at fair value at the date of acquisition.
The Group assesses at least once a year whether there is any indication that an intangible asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the intangible asset in order to recognise any impairment.

Similarly, when an impairment loss has been recorded in prior years, at the end of every reporting date the Group assesses whether there is an indication that an impairment loss recognised on an asset in previous years – other than goodwill – may no longer exist or has decreased. If there is any indication of this, the Group estimates the recoverable value of that asset consistently with the considerations that gave rise to the impairment loss, adjusting, whenever there is a positive difference, the value of the asset. The reinstatement, if any, may not exceed the carrying amount of the asset that would have been recorded (net of amortisation) had no impairment loss been recognised in previous years.

Intangible assets comprise the following categories which are being amortised:

- Patent rights and intellectual properties are stated at the cost of purchase and amortised over three years. Costs to develop software are capitalised and amortised on a straight-line basis over three or five years.
- Concessions are stated at the cost of purchase and amortised over the concession period.
- Trademarks are stated at the cost of purchase and amortised on the basis of their effective future benefit.
- Software user licences are stated at the cost of purchase and amortised on a straight-line basis according to their use.
- The other intangible assets relate to the values allocated on acquisition to the assets of the Sisal physical network, the Match Point physical network and technology supply.

Rights and licences held under a finance lease, 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 contributable by the lessor, 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 amortised in the manner described. When there is no reasonable certainty that the lessee will obtain ownership of the assets at the end of the lease term, amortisation is made over the shorter of the lease term and the useful life of the assets. In the statement of comprehensive income,

amortised and the interest expense relating to the financial component of the lease instalment are recorded in the place of the lease instalments.

The development costs relating to the internet site used for wagers on the web have also been capitalised in accordance with SIC 32 and IAS 38, since it is believed that the estimated future economic benefits linked to online wagers can sustain the amount of the capitalised costs.

Goodwill

Goodwill recorded following a purchase or business combination is recognised initially at cost, since it represents the excess of the cost of acquisition over the Group's interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed. Goodwill is an intangible asset with an indefinite life and, as such, is not subject to amortisation but is tested periodically for impairment to verify the adequacy of the carrying amount in the statement of financial position; the excess, if any, is recognised in the statement of comprehensive income. The reversal of a previous writedown for the impairment of goodwill is not permitted.
To test for impairment, the carrying amount of goodwill and the groups of related net assets separately capable of producing cash flows, the cash-generating units (CGU), are compared to the higher of the value in use of the CGU and the recoverable amount from disposal. The value in use is determined applying the discounted cash flow method by discounting the operating cash flows based on projections made according to assumptions contained in business plans approved by management.

Financial assets

Financial assets are classified at initial recognition under one of the following four categories and measured as follows.

Financial assets at fair value through profit or loss

This category includes: (a) financial assets purchased principally for trading in the short term; (b) those initially designated in this category, whenever applicable, or when the fair value option is exercisable; (c) derivatives (except for a derivative that is designated as an effective hedging instrument - "cash flow hedge"). These financial assets are measured at fair value; changes in fair value during the period of ownership are accounted for in the statement of comprehensive income. Financial instruments under this heading are classified as short term if held for trading or if disposal is expected within 12 months of the end of the reporting period. Derivatives are recognised as assets or liabilities, depending on whether their fair value is positive or negative; positive and negative fair values arising from existing transactions with the same counterpart are offset, whenever envisaged by contract.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They refer to receivables from customers, including trade receivables, and are shown in current assets except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The assets are measured at their amortised cost, based on the effective interest rate method. Whenever there is clear indication of an impairment, the carrying amount of the asset is reduced to the present value of estimated future cash flows. The impairment loss on trade receivables is determined on the basis of objective evidence of the uncollectibility of the amounts. This evidence arises when the customer is unable to fulfil, or has difficulties in fulfilling, its commitments (i.e. state of insolvency, overdue in excess of a certain number of days, company restructurings).

The impairment loss is charged to the statement of comprehensive income under operating costs and represents the difference between the carrying amount of the receivable and the present value of future expected payments. 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 recorded had amortised cost been applied.

Held-to-maturity financial assets

These are non-derivative financial instruments, with fixed or determinable payments and fixed maturity dates, which the Group intends and has the ability to hold to maturity. These assets are measured at amortised cost, using the effective interest rate method, adjusted by impairment losses, if any. Whenever there are impairment losses, the above principles described for loans and receivables are applied.

Available-for-sale financial assets

These are non-derivative financial instruments, either designated in this category or not classified in any of the other categories. These assets are measured at fair value and the gains or losses arising from such valuation are recorded in an equity reserve; gains or losses are recognised in the statement of comprehensive income only when the asset is sold (or extinguished) or, in the case of cumulative negative changes, when it is deemed that the impairment loss already recorded in equity cannot be recovered in the future. If the fair value cannot reasonably be determined, such assets are measured at cost adjusted by impairment losses extrapolated from converging indicators which evidence the incapacity of the asset to recover its original carrying amount. The classification between current and non-current assets depends on the strategic choices concerning the duration of ownership of the asset and its effective negotiability: those expected to be disposed of within 12 months from the end of the reporting period are accounted for in current assets.

Financial assets are derecognised from the statement of financial position when the right to receive cash flows from the instrument expires and the company has substantially transferred all risks and rewards related to the instrument and its control.

Investments

Investments in associates are accounted for using the equity method, which provides for the recognition, in the statement of comprehensive income, of the Group's share of the results of the companies in which a significant influence is exercised.

Investments in third-party companies, in accordance with IAS 39 and IAS 32, are measured at fair value, except in those cases when it is not available; in that case, cost is adopted. Gains or losses from adjustments in value are recognised as other components of the statement of comprehensive income, accumulated in a specific equity reserve. If there is objective evidence that an asset may be impaired, the cumulative loss that was recorded in the statement of comprehensive income must be reclassified from equity to the result for the year as a reclassification adjustment, even if the financial asset was not eliminated.

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 the cost of replacement by reference to the market price at December 31, 2010.

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 utilisation or realisation by setting up a specific provision recorded directly as a deduction of the asset.

The inventories of virtual and scratch refill cards for telephone and television content are stated at the weighted average cost of the purchase prices.

Cash and cash equivalents

Cash and cash equivalents are recorded at their nominal value.

Assets held for sale and discontinued operations

Assets held for sale and discontinued operations include assets and/or lines of business held for sale under a committed plan to sell a business segment or non-current assets purchased exclusively for resale.

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

The results of discontinued operations represented by the profit (loss) of the discontinued operations and gains or losses on disposal, if any, are presented net of taxes in the statement of comprehensive income on a separate line.

Debt and financial liabilities

Financial liabilities, comprising debt, trade payables and other financial obligations, are measured at amortised cost, applying the effective interest rate method.

Financial liabilities are classified as current liabilities, unless the company has an unconditional right to defer payment for at least 12 months after the year end.

Financial liabilities are derecognised from the statement of financial position at the time of extinction and when the company has transferred all risks and rewards related to the instrument.

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 recognised 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 fulfil the obligation. This amount represents the best estimate of the present value of the expenditures required to extinguish the obligation.

Employee benefits

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 statement of comprehensive income as they occur, based on the relative nominal value. In defined benefit plans, as the amount of the benefit to be granted is quantifiable only after termination of employment, the cost is charged to the statement of comprehensive income based on actuarial computations.

The severance indemnity, regulated by art. 2120 of the Italian Civil Code, represents the indemnity recognised in Italy to employees and accrued during their service life, which is liquidated on termination of employment (severance).

It is classified as an unfunded defined benefit plan and therefore there are no assets to service it.

Following the reform of complementary pensions, in accordance with Legislative Decree 252 dated December 5, 2005, the severance indemnity due to employees up to December 31, 2006 will remain as a liability of the company while that accruing to employees from January 1, 2007 must be, at the discretion of the employee, either placed in a complementary pension scheme or remain in the company, which will then transfer it to the fund managed by INPS (the Italian State Pension Institute).

The change in the legislation has caused a differentiation in the treatments of the amounts due to the employee at the termination of employment as follows.

- The liability for the portion of severance indemnity accrued up to December 31, 2006 continues to follow the rules for defined benefit plans.
- The liability for the portion maturing from January 1, 2007, payable to complementary pension schemes or to the INPS treasury fund, is recorded on the basis of contributions due in the period.

With regard to the severance indemnity accrued up to December 31, 2006, inclusion in the financial statements as a defined benefit plan requires an actuarial estimate of the sums due to employees in exchange for their service in the current period and in the preceding years and the discounted present value calculation of such services in order to determine the present value of the Group's obligations. The calculation of the present value of the Group's obligations is carried out by an external expert using the Projected Unit Credit Method, which considers only the seniority matured at the time of the valuation, the service years accrued at such date and the overall seniority at the time of expected payment of the benefit.

As the Group, following the above-mentioned reform, has no obligation for the indemnity maturing after December 31, 2006, the component relative to future salary increases is excluded from the actuarial calculation of the indemnity.

The severance indemnity cost in the current period, charged to the statement of comprehensive income under personnel costs, is equal to the sum of the indemnity matured by the employees working in the period, the finance charge on the present value of the Group's obligation at the beginning of the year and the gains and losses caused by changes in the actuarial assumptions. It should be noted that the Group has decided not to use the "corridor approach" and to recognise gains and losses arising from changes in actuarial assumptions directly in the statement of comprehensive income.
The annual discount rate adopted for calculating present value has been determined on the basis of the interest rate of long-term government bonds with a remaining life in line with the average forecast future service life of the Group's employees; to such a rate, an additional risk premium of around 0.5% has been added.

Stock options

Stock option plans and other initiatives remunerated by equity instruments, if any, are accounted for in accordance with IFRS 2, separating those that will be settled through the issue of equity instruments and those that 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 recognised (under personnel costs) over the vesting period of the options granted. When the employee's benefit 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 ("stock options reserve" included under "other reserves"). Instead, when the cost of the share-based payment transaction is settled in cash, the contra-entry is to a payable account.

Translation of amounts in foreign currency

Revenues and costs in currencies other than the functional currency, the Euro, are recorded at the exchange rate on the transaction date.
Monetary assets and liabilities in currencies other than the functional currency are translated into the functional currency at the exchange rate at the end of the reporting period, with any effect posted to the statement of comprehensive income. Non-monetary assets and liabilities in currencies other than the functional currency, measured at cost, are recorded at the original transaction rate; when the measurement is at fair value or at the recoverable/realisable amount, the exchange rate at the measurement date is used.

Revenue recognition

Revenues are recognised initially at the fair value of the consideration received net of rebates and discounts. Revenues from services are recognised by reference to the value of the services rendered as of the end of the reporting period.
Revenues from sales of goods are recognised when the company has transferred substantially all the risks and rewards of ownership of the goods.

In accordance with IAS 18 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 commissions accrued on the transaction. Specifically, the cost pertaining to the purchase of telephone and television content refill 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 sale price and the nominal cost of the card.

Fixed odds betting income

The bets connected with fixed odds betting are recognised 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 recognised in the statement of comprehensive income under "Fixed odds betting income" until the date of the event on which the bet was taken.

Cost of purchased goods and services

Purchases of goods and services are recognised in the statement of comprehensive income on an accrual basis as decreases of economic benefits, with the contra-entry an outflow of cash resources or a reduction in the amount of an asset or increase in the amount of a liability.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis using the effective interest method.

Taxation

Income taxes are provided on the basis of an estimate of the tax expense for the year under current laws.
The corresponding liability is shown under "taxation payable".
In accordance with IAS 12, deferred tax assets and liabilities are recognised on the temporary differences between the carrying amount of an asset or a liability in the statement of financial position and its tax base. Deferred tax assets are recognised only to the extent that their recovery is considered probable.
Deferred taxes assets and liabilities are classified as non-current assets and liabilities, respectively. They may be compensated when there is a legally enforceable right to offset and the net amount will be shown as "deferred taxes assets" or "deferred taxes liabilities", depending on whether they are receivable or payable. When the effects of a transaction are credited or charged directly to equity, the related current and deferred taxation is also recognised directly in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, to the extent that such rates have been approved at the end of the reporting period.

Use of estimates

The preparation of the consolidated financial statements and the related explanatory notes in accordance with international financial reporting standards requires estimates and assumptions to be made that have an effect on the reported amounts of assets and liabilities and on the disclosure of contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates.
Below is a brief description of the accounting policies that require more subjective estimates and for which a change in the underlying assumptions may have a significant effect on the financial statements.

Goodwill

Goodwill is tested annually for impairment. Any impairment losses arising are recognised in the statement of comprehensive income. Specifically, the test involves the allocation of goodwill to a Cash-Generating Unit (CGU) and then the determination of the relative fair value. When the fair value is lower than the carrying amount of the CGU, an impairment loss is recognised on the goodwill allocated to the CGU. The allocation of goodwill to a CGU and the determination of fair value require assumptions and estimates based on factors that may change over time, with consequent, possibly significant, effects on the assessments.

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. 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 with appropriate valuation techniques. The correct identification of the factors, indicating a potential impairment and the estimates to determine the loss, may depend on conditions that 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.

Depreciation of property, plant and equipment and amortisation of intangible assets

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful life of each asset. The economic useful life of fixed 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 economical useful life may, therefore, be different from its estimated useful life. Each year, the technological and business segment developments, any contractual and legislative changes related to the utilisation of the assets, and their recovery value are reviewed to update the residual useful life. Such updating may modify the period of depreciation 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 recognising deferred tax assets depends on factors that may vary over time and may have significant effects on the measurement of this line item.

Provision for risks and charges

The Group accrues in this provision the probable liabilities relating to litigations and controversies with staff, suppliers, third parties and in general expenses arising from any commitments. The quantification of such provision is based on assumptions and estimates based on presently available knowledge, which may vary over time. Thus the final outcomes may be significantly different from those considered during the preparation of the financial statements.

Doubtful receivables provision

This account 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 general and specific to the company's business.

Severance indemnity provision

The measurement of the severance indemnity provision (TFR) is carried out by external actuaries. The computation considers the TFR matured on past service and is based upon various assumptions, both demographic and economic/financial. Such assumptions, also based on the company's experience and relevant best practice, are periodically reviewed.

Changes to accounting standards

There are no changes in the accounting policies applied compared to the previous accounting period.

In particular, with regard to the use of recently issued accounting standards applicable from January 1, 2010, the following accounting standards, although having no impact on the financial statements for the year ended December 31, 2010, are applicable in the typical business of the Group and could have significance with reference to future transactions.

- IFRS 3 Business combinations (revised in 2008)
  IFRS 3 revised introduces a number of changes in the accounting for business combinations which must be applied prospectively from January 1, 2010. The changes refer to the measurement of non-controlling interests and also to the introduction of new accounting treatment for business combinations achieved in stages, as a result of which, in particular, goodwill will be remeasured at the acquisition date of control.
  The revised reporting standard also provides for the recognition in the income statement of all costs in connection with a business combination, which in the previous version had been included in the determination of the acquisition cost, and the recognition at the acquisition date of liabilities for contingent

consideration. This component of price should be measured at fair value at the acquisition date of control and any subsequent changes in fair value should be recognised in the income statement. These changes will have an impact on the amount of goodwill reported, the reported results in the period an acquisition occurs and future reported results.

- IAS 27 Consolidated and separate financial statements (amendments in 2008)
  The amendment to IAS 27 establishes that changes in ownership interest that do not result in a loss of control are accounted for as equity transactions.
  Furthermore, when a parent loses control of a subsidiary, any investment retained in the former subsidiary is recognised at fair value in the financial statement and the resulting gain or loss, if any, arising from the loss of control, is recorded in the income statement.
  Finally, the amendment to IAS 27 requires that all losses applicable to non-controlling interests that exceed the minority's interests in the subsidiary's equity are allocated against the non-controlling interests.

- IFRS 5 Non-current assets held for sale and discontinued operations (improvement in 2008)
  The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if an entity's disposal sale plan results in loss of control, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

- IAS 39 Financial instruments: recognition and measurement (amendments in 2008)
  The amendments clarify certain aspects of hedge accounting.

- IFRS 2 Share-based payment for group cash-settled share-based payment transactions (amendments in 2009)
  The amendment makes clear, among other things, that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

- Annual improvements to IFRS 2009
  On March 23, 2010, Commission Regulation (EC) 243-2010 was published endorsing the improvements to the following standards, in force from January 1, 2010: IFRS 2, IFRS 5 and IFRS 8 IAS 1, IAS 7, IAS 17, IAS 36, IAS 38 and IAS 39 as well as the interpretations IFRIC 9 and IFRIC 16.
  These improvements aim to clarify the terminology and also certain areas that are difficult to interpret.
  The application of these improvements did not have any effect on the financial statements of the Company.

The following standards, amendments and interpretations, in force from January 1, 2010, discipline facts and events that currently do not exist within the Group. Should such situations arise as a result of future transactions, they will be properly identified and treated:

- IFRS 1 (revised) First-time adoption of International Financial Reporting Standards
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

The Company has not early adopted the accounting standards already endorsed by the European Community, but those effective for the Company for annual periods after December 31, 2010.

In particular, the following have not been subject to early adoption by the Company:

- IAS 24 – Related party disclosures (revised version) (applicable from January 1, 2011)
- Annual improvements to IFRS 2010 (applicable from January 1, 2011)
- Amendment to IFRIC 14 – Prepayments of a minimum funding requirement (applicable from January 1, 2011).
- Amendment to IAS 32 – Financial instruments: presentation: classification of rights issues (applicable from February 1, 2010).
- Amendment to IFRS 1 – Limited exemption from comparative IFRS 7
- IFRIC 19 – Extinguishing financial liabilities with equity instruments (applicable from July 1, 2010)

The Company is currently assessing the impact of the applicability, if any, of the above standards and interpretations on its financial statements.

Moreover, the following standards are in the process of being endorsed by the European Union and therefore to date are not applicable to the Company:

- IFRS 9 – Financial instruments
- Amendment to IFRS 7 – Financial instruments: Disclosure
- Amendments to IAS 12 – Income taxes
- Amendment to IFRS 1 – Hyperinflation and effective dates

The Group is currently assessing the impact of the applicability, if any, of the above standards and interpretations on its financial statements.

Risk profile

The main financial instruments used by the Group comprise bank loans, finance leases, short-term bank deposits and bank deposits on demand. The main objective of these instruments is to fund the operating activities of the Group. The Group also has various other financial instruments, such as trade receivables and payables from operating activities.

Market risks

The market risks, in accordance with international accounting principles, are as follows.

Foreign currency exchange risks

The Group is exposed to a limited extent to currency exchange rate risks, in particular for the supply of spare parts and gaming equipment purchased in foreign currency (USD). During the year, the supply of gaming terminals in foreign currency (USD) was completed according to the agreements signed during the years 2008 and 2009 and at the same time, the currency option-forward fx transaction derivative contract reached expiry.

Interest rate risks

The Group is exposed to risks related to fluctuations in the levels of interest rates, specifically with reference to a financing contract signed at the end of 2006 with a pool of banks having The Royal Bank of Scotland as agent bank. This risk has been partially covered by a series of interest rate swap contracts.

Raw materials price risk

The Group's exposure is minimal.

Liquidity risk

Liquidity risk is the risk of not being able to fulfil present or future obligations due to insufficient available funding. The Group manages this risk by seeking to establish a balance between outflows of cash and the sources of short-term and long-term funding and the gradual and homogeneous distribution of maturities of medium- and long-term funding over time.

Credit risk

Potential credit risk existing with the outlets, under partnership contracts, is mitigated by specific selection procedures for points of sale, by imposing operating limits on the values played on the gaming terminal and by daily controls over changes in credit which provide for the blocking of the terminal in the event of non-payment and revocation of the authorisation 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 AWP machines who are entrusted by the Group with the wagers 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 eventually granted to individual players, in accordance with the

internal procedure, is subject to the examination and authorisation of management on the basis of technical and commercial assessments.

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.

Related party disclosures

With regard to transactions with the ultimate parent, Gaming Invest S.àr. l., the Parent has a loan payable totalling €374 million, on which more information is given later in these explanatory notes. On this loan, accrued interest expense for the year is €38 million at the reporting date, of which €17.9 million has been capitalised.

Concerning financial and commercial transactions with other related parties, mention is made of the transactions with S.P.A.T.I. S.p.A., the shareholders of which are also among the shareholders of the ultimate parent. The net payable at year-end is approximately €0.8 million and derives primarily from the purchase price of a business activity consisting of 96 horse racing and sports betting agencies by Sisal Match Point S.p.A.

The remuneration of the Group's key managers charged with strategic responsibilities, in other words those with the authority and responsibility for planning, management and control of the Group's operations, amounted for the entire year 2010 to €4,237 thousand (€4,352 thousand in 2009), detailed as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Gross salary	3,914	4,069
Severance indemnity	323	283
Total	**4,237**	**4,352**

Those managers who are also company directors, with related powers and responsibilities, are entitled to directors' fees determined by shareholders at the annual general meeting.
With regard to the agreements reached with the shareholders subsequent to the acquisition of the majority of the share capital of Sisal S.p.A. by Sisal Holding Finanziaria S.p.A. during 2006, some managers have subscribed some debt and equity instruments of the ultimate parent company. Similar opportunities were offered to some managers hired during the previous year, as described in the note on other reserves under equity.

Explanatory notes to the statement of financial position

Assets

A) Non-current assets

Property, plant and equipment (1)

This account comprises the following:

(in thousands of Euro)	At 12.31.2009	Changes in the year			At 12.31.2010
		Increases	Decreases	Reclassifications	
Land and buildings:					
original cost	15,565	1,422	0	244	17,231
ordinary depreciation	(2,559)	(521)	0	(226)	(3,306)
writedowns	0	0	0	0	0
Net	**13,006**	**901**	**0**	**18**	**13,925**
Plant & machinery:					
original cost	17,296	4,953	0	31	22,280
ordinary depreciation	(12,326)	(2,057)	(0)	(9)	(14,392)
writedowns	(0)	0	0	0	(0)
Net	**4,969**	**2,896**	**0**	**22**	**7,888**
Industrial and commercial equipment:					
original cost	251,844	30,681	(7,541)	0	274,984
ordinary depreciation	(168,588)	(24,438)	6,862	0	(186,164)
writedowns	(2,409)	(146)	1,186	0	(1,370)
Net	**80,847**	**6,097**	**507**	**0**	**87,450**
Other assets:					
original cost	11,137	1,713	(93)	23	12,781
ordinary depreciation	(7,855)	(511)	93	(9)	(8,282)
writedowns	(187)	0	0	0	(187)
Net	**3,095**	**1,203**	**(0)**	**15**	**4,312**
Construction in progress:					
original cost		1,745		0	1,745
ordinary depreciation				0	0
writedowns				0	0
Net	**0**	**1,745**	**0**	**0**	**1,745**
Total:					
original cost	295,841	38,770	(7,633)	298	327,276
ordinary depreciation	(191,328)	(27,527)	6,954	(244)	(212,144)
writedowns	(2,597)	(146)	1,186	0	(1,557)
Net Total	**101,917**	**12,842**	**507**	**54**	**115,320**

Property, plant and equipment, as detailed in the above table, include gross capital spending investments of €38.8 million.

Investments in *Plant and machinery* of €4.9 million relate mainly to renovation work on points of sales, purchase of air conditioning systems and other sundry plant.

The increase in *Industrial and commercial equipment* of €35.7 million is due mainly to:

- Investments in new AWP "comma 6a" slot machines, PDAs and change machines by Sisal Slot S.p.A. for approximately €6.5 million.
- The purchase of new-generation betting and services equipment, such as the Leonardo and Microlot terminals for approximately €22.9 million.
- The purchase of display screens and video boards for the renovated horse racing and sports betting agencies and the purchase of furniture for the agencies such as counters and panels for a total of €1.2 million.

The table below sets out information on finance leases accounted for in accordance with IAS 17:

Asset category (in million of Euro)	**Net book value at 12.31.2010**	**Leasing instalments 2010**	**Residual debt at 12.31.2010**	**Residual leasing instalments at 12.31.2010**
Pin Pad (industrial & commercial equipment)	1,163	452	-	-
T.G. Microlot	4,497	386	4,630	4,816
AWP gaming machines, "comma 6a"	5,105	2,646	4,180	4,283

Goodwill (2)

Goodwill, with a carrying amount of €870,083 thousand, comprises the following:

- Goodwill arising on the purchase of the Sisal Group at the end of the 2006 financial year for €1,053.1 million.
- An increase of about €26 million deriving from the purchase, in December 2006, of the remaining minority (35%) share in Sisal Slot S.p.A. by the Parent.
- A decrease of around €33 million for the cancellation of a pre-existing purchase option granted by Sisal S.p.A. in favour of the Sisal Slot S.p.A. minority shareholders, as part of the negotiations for the purchase of the minority stake by the Parent.
- An increase of around €30 million on acquisitions of companies and business activities, completed during the years 2007-2010, of business segments relating legal gaming through AWP slot machines and horse racing and sports betting.
- An impairment loss of around €206 million recorded as a result of the impairment tests performed at the end of 2007.

In accordance with the reference accounting standards, goodwill was tested for impairment at December 31, 2010. In particular, the operating cash flows were measured to determine the value in use of the identified Cash-Generating Units (CGUs) by applying the "discounted cash flow" method.
For the purposes of impairment testing, the Group uses three-year cash flow projections approved by top management and extended for another two years on the basis of stable or declining growth rates, differentiated according to the historic trends of the various products.
The growth rate used to estimate cash flows beyond the explicit projected period was determined on the basis of the market data and information available to management on the reasonable projections of estimated sector growth in the long term and is equal to 3.25%.
In the case of impairment on the individual assets relating to concessions or rights for gaming income, where necessary, the projections are extended for the number of years' duration of the right being measured.
The discount rate adopted to discount cash flows to present value is equal to a WACC of 8.2%, derived from the weighted average cost of capital of 9.7% (inclusive of a market risk premium of 5.3%) and the after-tax cost of debt of 3.9%.

For the purpose of this calculation, the following CGUs were identified for the Group:

- Traditional games, primarily referring to cash flows from National Totalisator Number Games (NTNGs, including SuperEnalotto and Vinci per la vita–Win for Life) and relationships with outlets in the Sisal network.
- Services, which include activities through the network of services rendered to the public such as, for example, telephone refills and payment services.
- Gaming machines, including the activities of supplying and managing AWP machines (slot machines) and VLTs.
- Betting and gaming halls, comprising cash flows from gaming halls (Sisal Match Point agencies and Sisal Bingo), wagers through the Bersani concession and e-gaming.

Such CGUs have so far represented the normal prospects for earnings and operational analysis of the Group's performance.

Goodwill at December 31, 2010 is allocated to the different CGUs as follows:

Cash Generating Unit (in thousands of Euro)	
Traditional games	202,298
Services	91,030
Gaming machines	211,111
Betting and gaming halls	365,644
Total	**870,083**

As a result of this impairment test, it emerged that actualised cash flows by CGUs exceeded the carrying amount of the goodwill allocated to each CGU. No recognition of impairment loss on goodwill was therefore necessary.

In particular, the excess of the recoverable amount of the CGU, determined on the basis of the parameters described above, compared to the carrying amount, is as follows:

Cash Generating Unit (in thousands of Euro)	
Traditional games	475,400
Services	188,280
Gaming machines	80,899
Betting and gaming halls	20,291
Total	**764,870**

A change in the value assigned to the base assumptions, in terms of the assumed growth rate in the determination of the terminal value and the present value discount rate that renders the recoverable amount of the CGU equal to its carrying amount is the following:

Cash Generating Unit	**Growth rate**	**Discount rate**
Traditional games	-10.5%	6.3%
Services	-20.6%	17.6%
Gaming machines	-1.8%	1.4%
Betting and gaming halls	-0.4%	0.3%

Intangible assets (3)

Intangible assets are composed as follows:

(in million of Euro)	At 12.31.2009	Changes during the year			At 12.31.2010
		Increases	Decreases	Reclassifications	
Patent & utilisation rights, copyrights and similar rights:					
original cost	24,666	6,444	(50)	0	31,060
amortisation	(18,914)	(4,082)	17	0	(22,979)
writedowns	0	0	0	0	0
Net	**5,753**	**2,362**	**(34)**	**0**	**8,081**
Concessions, licences, trademarks and similar rights:					
original cost	542,382	3,827	(3)	0	546,206
amortisation	(174,271)	(42,680)	1	0	(216,950)
writedowns	(14,498)	(7,900)	0	0	(22,398)
Net	**353,613**	**(46,753)**	**(2)**	**0**	**306,858**
Other intangible assets:					
original cost	42,984	(454)	641	(298)	42,873
amortisation	(16,024)	(3,339)	(323)	244	(19,442)
writedowns	(0)	(80)	0	0	(80)
Net	**26,960**	**(3,873)**	**318**	**(54)**	**23,351**
Total:					
original cost	610,032	9,817	587	(298)	620,138
amortisation	(209,208)	(50,100)	(305)	244	(259,370)
writedowns	(14,498)	(7,980)	0	0	(22,478)
Net total	**386,326**	**(48,264)**	**282**	**(54)**	**338,290**

Concessions, licences, trademarks and similar rights increased during the year by €3.8 million, principally as a result of the costs incurred for the purchase of 159 rights for "sports game points" from the company Merkur Interactive S.p.A.

Patent and utilisation rights, copyrights and similar rights increased during the year by €6.4 million and are related exclusively to the purchase of software for the management of operations and the management of provider activities for legal gaming using AWP slot machines.

Amortisation charged to the statement of comprehensive income for the year was around €50 million; over €25 million of that amount refers to 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 process for the purchase of the Sisal Group concluded in prior years.

Concerning writedowns, the increase during the year of €7.9 million is due, as mentioned in the Report on Operations, to the partial impairment charge on the carrying amount of the concession right for national horse race betting and sports pools that were necessary owing to the less than satisfactory performance of these traditional game products and the updated expectations on their future trends.

The following table presents information on outstanding finance leases, taken out in 2010, and recorded in accordance with IAS 17:

Asset class	Net book value at 12.31.2010	Leasing instalments 2010	Residual debt at 12.31.2010	Residual leasing instalments at 12.31.2010
Licenses SW	410	40	421	441
Total	**410**	**40**	**421**	**441**

Investments (4)

Investments comprise mainly the holdings in associates.

(in thousands of Euro)	At 12.31.2009	Changes in the year					At 12.31.2010
		Increases	Decreases	Revaluations	Reclassifications	Impairments	
Investments in subsidiaries:	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Investments in associates:	40	(8)	0	0	0	0	32
Total	**40**	**(8)**	**0**	**0**	**0**	**0**	**32**
Investments in other companies:	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The list of investments owned and the information required under art. 2427 of the Italian Civil Code is provided at Annex 1.

Deferred tax assets (5)

The information concerning deferred tax assets is detailed in the following table:

(in thousands of Euro)	2010		2009	
	Temporary differences (Amount)	Tax effect (rate 27.5%/31.4%)	Temporary differences (Amount)	Tax effect (rate 27.5%/31.4%)
Recognition of deferred tax assets and related effects				
Deferred tax assets				
Provision for risks and charges	7,651	2,354	7,478	2,301
Provision for bad and doubtful debts Receivables/Other receivables	31,010	8,528	23,615	6,494
Entertainment expenses	0	0	17	5
Maintenance expenses	3,836	1,060	91	29
Other writedowns	2,666	827	3,785	1,179
Depreciation	447	140	2,643	748
Directors' compensation accrued	1,129	310	3,280	902
Guarantee deposits accrued	265	83	189	59
Other temporary differences	2,683	754	2,311	655
Non-deductible VAT pro-rated	119	33	119	41
Reversal of quota of current deferred taxes	(5,420)	(1,649)	(2,242)	(657)
Reversal of quota of non-current deferred taxes	(12,311)	(3,659)	(5,880)	(1,158)
Net deferred tax assets	**32,075**	**8,781**	**35,407**	**10,599**
Deferred tax assets on losses - current year			**12,213**	**3,359**
Deferred tax asset on losses - prior years	**0**	**0**	**0**	**0**
Temporary differences excluded from the deferred tax computation	**2,298**	**632**	**2,298**	**632**

The Group expects to have sufficient taxable income in the future to recover deferred tax assets.

The temporary differences excluded from the calculation of deferred tax assets relate to losses reported by the Parent prior to opting for consolidation of taxation. As a result, deferred tax assets on the losses have not been recorded based on the probability, supported by current information, of realising future taxable income against which the losses can be applied.

Other non-current assets (6)

Other non-current assets amount in total to €11,714 thousand and mainly comprise:

- VAT receivables for refunds requested upon presentation of the VAT return using the VR model, for both the results of 2008, equal to €6,305 thousand, and for those of 2007, equal to €3,906 thousand, with the latter having been reclassified from *Tax receivables (current)* where they were recorded at the end of 2008.
- Guarantee deposits for leases, sundry utilities and related revaluations for approximately €1 million.

Assets held for sale or discontinued operations (7)

There are no balances at December 31, 2010.

B) Current assets

Inventories (8)

Inventories at December 31, 2010 are composed of the following:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Spare parts	2,714	1,443
Rolls of paper	1,474	498
Playslips	420	340
Raw materials, auxiliaries and consumables:		
Finished goods and merchandise	5,550	10,645
Mobile scratch cards	250	525
Total	**10,408**	**13,451**

Stocks of raw materials, auxiliaries and consumables are recorded net of a provision of €1,136 thousand.

The change in the provision account at year-end 2010 compared to year-end 2009 is largely due to an increase of Euros 365 thousand for the spare parts of gaming terminals and gaming machines which have been recalculated in a homogeneous manner in relation to the inventory balances, to a decrease in the provision account for playslips of €38 thousand and a decrease in paper rolls for gaming terminals of €3 thousand, adjusted to market prices according to applicable accounting principles.

The net inventory balance at December 31, 2010 includes €1,894 thousand for gaming material (playslips and paper rolls for terminals) and €2,714 thousand for spare parts for the maintenance of gaming terminals and AWP machines.

Inventories of finished goods and merchandise and mobile scratch cards totalling €5,800 thousand represent primarily telephone refill cards bought from Vodafone Omnitel N.V. for resale to the public (€4,170 thousand) in accordance with the clauses of the contract signed at the beginning of 2004 between Sisal S.p.A. and Vodafone. They also include the physical stocks of telephone and TV content refill cards of key operators of the sector, bought for resale to the public from Servizi in Rete 2001 S.p.A. (€250 thousand) according to the clauses of contracts signed by this company with Sisal S.p.A. in November 2005 and also the stocks of telephone refill cards bought from Carrefour Italia Mobile S.r.l. (€34 thousand), in accordance with the clauses of the contract signed in 2007. Finally, they comprise stocks of mini toys purchased for resale to the public from the Giochi Preziosi Group (€772 thousand) according to the clauses of the contracts signed in 2009, from Mattel Italy S.r.l. (€193 thousand), from Equipe Service Group S.r.l. (€9 thousand), from Sportbaer Trading & Merchandising GMBH (€80 thousand) and from H3G S.p.A. (€98 thousand) according to the clauses of the contracts signed in 2010. Furthermore, there are Bingo cards for €23 thousand and rolls for the "Extrema" gaming terminals needed to issue the gaming ticket relating to wagers for €170 thousand. The significant decrease, compared to the previous year-end reporting date (about €5.3 million), is due mainly to the optimisation of the purchases of Vodafone refill cards made during the last days of the year for use during the holidays between the end and beginning of the new year.

Trade receivables (9)

There are no foreign currency denominated trade receivables and the analysis by geographical area is not significant, as all receivables are in the national currency. Trade receivables comprise the following:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Receivables from outlets	137,698	113,353
Receivables from betting agencies network:	8,533	6,815
receivables from direct agencies' players	541	550
receivables from partners	7,992	6,265
Receivables from the AWP gaming machines network	34,686	29,338
receivables from operators	27,306	22,538
receivables from shops	3,911	3,333
bills receivables subject to collection by banks	649	1,307
receivables from agencies	2,820	2,161
Receivables from customers	1,744	1,705
Doubtful receivables	24,347	16,913
Invoices to be issued	2,444	3,034
Credit notes to be issued	(6)	(128)
Provision for doubtful receivables	(32,364)	(24,707)
Total	**177,083**	**146,323**

Receivables from outlets represent amounts due to the Group for the bets placed on the last events of December 2010 and from the sales of non-gaming products in the same month. The increase from last year is particularly attributable to the higher betting volumes in the non-gaming sector and to the effect of a different calendar period for collections at the end of the year and a greater number of outlets.

Receivables from betting agencies network represent wagers on horse racing and sports events, accepted by the agencies operating under partnership contract, not yet paid over to Sisal Match Point S.p.A. bank accounts.

Receivables from the AWP gaming machines network represent the sums due from the outlet/operator network for the quota of the concession fee, the single tax (PREU) and the Group's share of legal gaming from the AWP slot machines.
The PREU and concession fees were, at the end of the reporting period, already paid or being paid to the AAMS by the concessionaire, Sisal Slot S.p.A., in accordance with the specific regulations and deadline dates.

Doubtful receivables, for €24,347 thousand, represent unpaid amounts generated by subject-to-collection receivables from outlets under recovery procedures, including legal actions, except for the amount representing normal situations which can be resolved in the short term referring to the month of December 2010.

Invoices to be issued, for €2,444 thousand, comprise mainly the compensation due to the Group on the games SuperEnalotto, SuperStar and Vinci per la vita–Win for Life and Win for Life Gold played during the last five days of 2010 for €1,882 thousand and the amount due from outlets for the "Points of Sale" fee for €308 thousand.

The doubtful receivables provision at December 31, 2010 comprises:

Provisions for doubtful receivables (in thousands of Euro)	**At 12.31.2010**	**At 12.31.2009**
Other trade receivables provisions	(55)	(55)
Receivables from outlets provisions	(17,877)	(11,804)
Receivables from AWP gaming machines network provision	(10,265)	(9,400)
Receivables for Match Point betting mgmt provision	(473)	(433)
Receivables from partners provision	(3,695)	(3,015)
Total	**(32,364)**	**(24,707)**

The changes during the year are as follows:

Provisions for doubtful receivables	At 12.31.2009	Change during the year		At 12.31.2010
(in thousands of Euro)		Increases	Decreases	
Other trade receivables provisions	(55)	0	0	(55)
Receivables from outlets provisions	(11,804)	(7,950)	1,877	(17,877)
Receivables from AWP gaming machines network provision	(9,400)	(1,959)	1,094	(10,265)
Receivables for Match Point betting mgmt provision	(433)	80	40	(473)
Receivables from partners provision	(3,015)	(1,000)	321	(3,694)
Total	**(24,707)**	**(10,989)**	**3,332**	**(32,364)**

The increase in the year after utilisations reflects the directors' prudent assessment of the recoverability of certain receivables, in particular the amounts due from insolvent outlets and from the area represented by the operators of AWP machines. This change is due in part to the significant growth during the year in the receipts of the betting networks and certainly also to a generally unfavourable economic situation, as well as the introduction of the law implementing the community directive on payment services (the so-called PSD – Payment Services Directive), which reduced the time to recharge accounts if automatic payments do not clear. The Group constantly monitors changes in doubtful receivables and adopts, when possible and appropriate, recovery procedures by mutual consent through recovery plans, assisted, where necessary, by guarantees.

Current financial assets (10)

Current financial assets do not show any significant balances after the extinguishment during the year of the derivative to hedge the foreign exchange rate risk mentioned previously.

Other current assets (11)

Other current assets amount to €24,617 thousand and comprise the following:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Receivables from AAMS for advances on winnings	98	338
Receivables from AAMS for Bersani concession fees	0	256
Receivables from AAMS for guarantee deposits	13,246	9,461
Receivables from Public Administration	1,757	781
Receivables from the liquidation of investments	108	108
Receivables from employees	384	286
Advances to suppliers	2,214	902
Credit notes to be received	0	0
Other receivables	2,848	3,191
sundry other receivables	2,826	3,173
receivables for prediction bets	22	17
Provision for doubtful other accounts receivables	(184)	(184)
Provision for doubtful guarantee deposits	(265)	(189)
Prepaid expenses	4,410	2,642
Total	**24,617**	**17,592**

- *Prepaid expenses,* for €4,410 thousand, represent mainly the prepaid portion of costs not referring to 2010 incurred for the issue of bank guarantees, for approximately €0.8 million, sundry supplies and premiums for health insurance.
- *Receivables from AAMS for advances on winnings*, for €98 thousand, include the traditional advance payment to winners of sports pools and Tris and similar horse races before reimbursement from the Authority, for €79 thousand, and payments on the previous SuperEnalotto concession while awaiting reimbursement from AAMS, for €19 thousand.
- *Receivables from AAMS for guarantee deposits,* for €13,246 thousand, relate to the 0.5% on amounts played on AWP machines in 2010 which Sisal Slot S.p.A. deposited on behalf of AAMS as guarantee deposits, but which AAMS will repay to the concessionaire of the Group, according to criteria and percentages to be established by AAMS in the actuating decrees, presumably by June of this year. During 2010, the company was reimbursed for the amounts at one time deposited as a guarantee referring to the year 2009 for €9.3 million, corresponding to the extent of the level of service reached and the investments made.
- *Receivables from Public Administration*, for €1,757 thousand, refers mainly to the receivable of €1,310 thousand from AAMS for the excess payment made for the single tax (PREU) due on the wagers from legal gaming using the AWP machines in previous years and the receivable recorded on the payment of tax bills (€404 thousand) based on assessments made by the Revenues Agency on the year 2005, for which a tax action was initiated.

- *Other receivables*, for €2,848 thousand, include, among others, the receivable for about €0.5 million, from the company which manages the poker online structure paid as a security deposit. Moreover, Sisal Slot S.p.A. carries receivables for €1,074 thousand generated by the different calculation procedures, which the company uses to determine how much should be paid to the tax authorities and how much should be asked of the betting chain.

Tax receivables (12)

Tax receivables amount to €9,417 thousand at December 31, 2010 and are comprised of the following:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
VAT due from tax authorities	8,283	8,604
Receivables for refunds	141	248
Receivables for various taxes from tax authorities	28	28
Receivables for withholdings on interest income	0	0
Receivables for IRES tax from tax authorities	0	0
Receivables for IRAP tax from tax authorities	938	652
Receivables for ILOR tax from tax authorities	30	30
Provision for doubtful tax receivables	(2)	(2)
Total	**9,417**	**9,560**

- *VAT due from tax authorities* of €8,283 thousand arises from the recalculation of the non-deductible amount, pro-rata, based on definitive percentages calculated for 2010.
- *Receivables for withholdings on interest income* were entirely used to compensate the IRES tax payables in the consolidated tax return referring to the year.

Cash and cash equivalents (13)

Cash and cash equivalents at December 31, 2010 are as follows:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Bank and postal accounts	470,949	354,687
Cheques	0	106
Cash and cash equivalents in hand	1,932	1,234
Total	**472,881**	**356,027**

Bank and postal accounts include around €354 million for prize money deposits, including the amount deposited for the special winnings of the Vinci per la vita–Win for Life games and for the so-called SuperStar Reserve Fund, which contains the difference between the available prize money and the winnings payable calculated for each single game.

These accounts are managed by the Group, but their use is restricted to the payment of cumulative prizes on the games described. The amounts in the deposit accounts for the prize money increased considerably (about + €130 million) compared to the prior year, mainly due to the effect of the SuperEnalotto first category winnings which were not yet paid at the end of the year, as well as the increase in 2010 in the balance of the SuperStar Reserve Fund, due to lower winnings payable in 2010 compared to the prize money accrued. This was partly compensated, compared to 2009, by a lower SuperEnalotto jackpot amount carried forward to the first game of the next year and a lower balance in the prize money account of Vinci per la vita–Win for Life and Win for Life Gold, attributable principally to a decline in game volumes.

Ordinary cash amounted to approximately €119 million, with a decrease of €11 million compared to the prior year-end, mainly due to cash flows from operations net of outflows driven by investing and financing activities.

Equity and liabilities

Equity (14)

Total equity amounts to €113,824 thousand.
The following table sets out the composition of equity; the changes in equity are presented in the relative statement:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Share capital	102,500	102,500
Share premium reserve	94,484	94,484
Legal reserve	200	200
Other reserves	1,006	0
Accumulated deficit	(71,664)	(59,488)
Loss for the year	(13,384)	(14,098)
Total equity attributable to Owners of the Parent	**113,142**	**123,599**
Equity attributable to non-controlling interests	682	2,993
Total equity	**113,824**	**126,592**

Share capital

The *share capital* of the company at December 31, 2010, fully subscribed and paid-in, is composed of 102,500,000 ordinary shares.

With reference to *other reserves*, in order to allow participation in an effective system of managerial incentives, some first-level managers of the Group have been granted the possibility of taking part in incentive plans of the ultimate parent, Gaming Invest S.àr. l. In particular, the incentive plans provided for the subscription, as employees of the Group, to equity instruments and debt instruments issued by Gaming Invest S.àr. l. under a system that is more favourable than those granted to the shareholders of reference. The investment 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. For the purposes of determination of the fair value of the plan, the return differential that will be paid to the managers as compared to the shareholders of reference, under the various assumptions for the realisation of the investment, was measured at the grant date of the plan.

The plans thus structured co-exist with the similar incentive plans granted to the managers of the Group as part of the operation that took place in 2006, which 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 cost of which had been reflected in the statements of comprehensive income of the various companies.

Comprehensive income (loss)

As shown in the statement of changes in equity, the Company does not have income or losses recognised directly in equity to be detailed in the determination of the comprehensive result for the year.

Non-controlling interests

The change in non-controlling interests is due to the completion of the share capital increase by Sisal S.p.A.; the capital increase that was not subscribed to by the non-controlling interests was taken up by the Parent, with the consequent increase in the percentage held by the Group in the subsidiary. In accordance with IFRS 3R, the impact of the operation is recognised directly in the equity of the Group under "other changes".

B) Non-current liabilities

Long-term debt (15)

Long-term debt comprises:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Loans from financing pool Royal Bank of Scotland	670,487	677,853
Loans from other lenders - leasing	5,036	3,889
Loans from other lenders - factoring	3,906	3,906
Loan from ultimate parent Gaming Invest S.àr. l.	372,547	350,791
Total	**1,051,976**	**1,036,439**

The loan secured from a pool of banks is shown net of commission costs and transaction consulting fees, not pertaining to the current year, totalling €8,833 thousand.

The following tables detail the credit lines granted by a syndicate of banks, with The Royal Bank of Scotland as agent bank, including both the long-term and the short-term portions. The amounts are stated gross of the above-mentioned commissions and transaction consulting fees deducted from the debt in accordance with the amortised cost method.

Long-term lines - beneficiary: Sisal Holding Finanziaria

Lines	Type	Residual debt at 12.31.2009	Residual debt at 12.31.2010	Expiry	Repayment
Facility A1	Amortising 7 years	62,479	56,081	12.31.2014	semiannually
Facility B1	Bullet 8 years	169,625	169,625	12.31.2015	at expiry
Facility C1	Bullet 9 years	169,625	169,625	12.31.2016	at expiry
Facility D1	Amortising 7 years	19,571	23,271	12.31.2014	semiannually
RF*	Revolving facility	34,286	34,286		
Total		**455,586**	**452,888**		

* The Revolving line is short term

Sisal Holding Finanziaria S.p.A.

Amortisation Plan	Residual debt at 12.31.2009	2010	2011	2012	2013	2014	2015	2016
Facility A	62,479	6,398	11,229	11,229	11,229	22,394		
Facility B	169,625						169,625	
Facility C	169,625							169,625
Facility D	19,571	-3,700			11,636	11,636		
RF	34,286					34,286		
Total	**455,586**	**2,698**	**11,229**	**11,229**	**22,865**	**68,316**	**169,625**	**169,625**
Residual debt		**452,888**	**441,659**	**430,430**	**407,566**	**339,250**	**169,625**	**0**

Long-term lines - beneficiary: Sisal

Lines	Type	Residual debt at 12.31.2009	Residual debt at 12.31.2010	Expiry	Repayment
Facility A2	Amortising 7 years	31,475	28,251	12.31.2014	semiannually
Facility B2	Bullet 8 years	75,375	75,375	12.31.2015	at expiry
Facility C2	Bullet 9 years	75,375	75,375	12.31.2016	at expiry
Facility D2/D3	Amortising 7 years	0	0	12.31.2014	semiannually
RF	Revolving facility	0	0	12.31.2014	
Total		**182,225**	**179,001**		

Sisal S.p.A.

Amortisation Plan	Residual debt at 12.31.2009	2010	2011	2012	2013	2014	2015	2016
Facility A	31,475	3,223	5,657	5,657	5,657	11,281		
Facility B	75,375						75,375	
Facility C	75,375							75,375
Facility D	0							
RF	0							
Total	**182,225**	**3,223**	**5,657**	**5,657**	**5,657**	**11,281**	**75,375**	**75,375**
Residual debt		**179,002**	**173,345**	**167,688**	**162,031**	**150,750**	**75,375**	**0**

Long-term lines - beneficiary: Sisal Match-Point

Lines	Type	Residual debt at 12.31.2009	Residual debt at 12.31.2010	Expiry	Repayment
Facility D	Amortising 7 years	57,600	57,600	12.31.2014	semiannually
Total		**57,600**	**57,600**		

Sisal Match-Point S.p.A.

Amortisation Plan	Residual debt at 12.31.2009	2010	2011	2012	2013	2014	2015	2016
Facility D	57,600				28,800	28,800		
Total	**57,600**	**0**	**0**	**0**	**28,800**	**28,800**	**0**	**0**
Residual debt		**57,600**	**57,600**	**57,600**	**28,800**	**0**	**0**	**0**

Long-term lines - beneficiary: Sisal Slot

Lines	Type	Residual debt at 12.31.2009	Residual debt at 12/31/010	Expiry	Repayment
Facility D	Amortising 7 years	37,000	41,000	12.31.2014	semiannually
Total		**37,000**	**41,000**		

Sisal Slot S.p.A.

Amortisation Plan	Residual debt at 12.31.2009	2010	2011	2012	2013	2014	2015	2016
Facility D	37,000	-4,000			20,500	20,500		
Total	**37,000**	**-4,000**	**0**	**0**	**20,500**	**20,500**	**0**	**0**
Residual debt		**41,000**	**41,000**	**41,000**	**20,500**	**0**	**0**	**0**

Interest on the credit lines provided under the Senior Credit Agreement is based on the 1-month, 3-month or 6-month Euribor plus a spread of between 2.25% and 3.68%, depending on the characteristics of the credit line. The charge for interest in the statement of comprehensive income is integrated by the impact of recording the liability at amortised cost and the consequent inclusion, in determining the effective interest, of the transaction costs incurred at the time of taking out the loan.

The Senior Credit Agreement, moreover, contains financial covenants based on key economic/financial ratios related to the Group's consolidated financial statements and also to the consolidated financial statements of its ultimate parent, including, for example, the ratio of net consolidated debt/gross consolidated operating profit and between the latter and the interest cost for the financing.

As for the loan from the shareholders, denominated Shareholder Loan C, this is a bullet loan under which the Parent is required to repay the loan on request, but is subordinate to payment of the Senior Credit Agreement. The Parent has the right to repay all or a part of the loan at any time, taking into account the condition mentioned above, and this loan is therefore considered a medium-/long-term loan. The interest on the "PIK Margin" (6%) can be capitalised for the entire term of the loan upon request of the party financed, whereas for the quota of interest denominated "Cash Margin" (4.5%), this right exists only for the first 12 months of the term of the loan; during the year a total of approximately €17.9 million of interest was capitalised and principal was repaid for about €5.4 million.
The sole shareholder, Gaming Invest S.àr. l., in June 2009, extended another loan of €60 million, bearing interest from January 1, 2010, denominated "subordinated zero coupon shareholder loan" with zero coupon interest, like the preceding loan, subordinate to the obligations under the "Senior Credit Agreement". The payment of 11% interest, which cannot be capitalised, will take place at the time of the repayment of principal.
As already indicated, besides the above mentioned loans, the Group has derivative contracts to cover the risk of exposure to interest rate fluctuations, with the characteristics described in the note on "Other current liabilities".

Provision for employee severance indemnities (16)

The provision, amounting to €7,592 thousand, reflects the effects of the present value calculation required under accounting standard IAS 19.

Deferred tax liabilities (17)

The information concerning deferred tax liabilities is detailed in the following table:

(in thousands of Euro)	At 12.31.2010		At 12.31.2009	
	Temporary differences (Amount)	Tax effect (rate 27.5/31.4%)	Temporary differences (Amount)	Tax effect (rate 27.5/31.4%)
Recognition of deferred tax liabilities and related effects				
Deferred tax liabilities				
Severance indemnity deducted out of books	1,820	501	1,649	454
Leasing instalments	140	44	140	44
Goodwill deducted out of books	13,799	4,333	11,677	3,667
Depreciation - difference between IAS and tax bases	(322)	(101)	303	74
Accelerated depreciation	2,570	706	2,569	706
Amortisation of concession charges	243	73	288	87
Merger deficit - taxed	52,243	16,404	57,263	17,981
Consolidation deficit - taxed	36,557	11,479	52,093	16,357
Reversal of impairment loss on intangible assets	22,314	7,007	25,188	7,909
Other temporary differences	285	81	12	3
Reversal of quota of current deferred taxes	(5,419)	(1,649)	(2,242)	(657)
Reversal of quota of non-current deferred taxes	(12,312)	(3,660)	(5,880)	(1,158)
Net deferred tax liabilities	**111,918**	**35,218**	**143,062**	**45,467**
Temporary differences excluded from the deferred tax computation	**0**	**0**	**0**	**0**

Provision for risks and charges (18)

The provisions, totalling €9,152 thousand, include the following:

(in thousands of Euro)	At 12.31.2009	Changes during the year		At 12.31.2010
		Increase	Decrease	
Employee-related litigation	53	0	(12)	41
Other civil litigation	147	0	(44)	103
Other litigation	2,747	0	0	2,747
Other contractual risks	1,265	0	0	1,265
Sundry risks and charges	4,297	431	(334)	4,394
Technological updating	1,023	316	(736)	603
Total	**9,532**	**747**	**(1,126)**	**9,152**

The provisions in place arise from the directors' prudent assessment of the litigation in progress, mainly in the civil and employee-related areas.
The Group operates in a complex legal environment where regulations are continuously evolving and subjected to the strong presence of the State's regulatory activity and the bodies responsible for the control and management of this market. The result is frequently a high number of cases and disputes. These are described in detail in the Report on Operations, to which reference can be made, as are the positions of the Group. In view of this and at this time, despite a climate of uncertainty, it is estimated that such cases and proceedings will not give rise to liabilities that have not been recorded or have significant consequences for the Group. At the same time, it should be mentioned that at the year-end reporting date, there are certain tax inquiries and inspections in progress that are also described in the Report on Operations; however, it is believed, at this time, that no conditions exist for considering the expenses probable and/or quantifiable.

Other non-current liabilities (19)

Other non-current liabilities total €2,576 thousand. Details are as follows:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Payable for the acquisition of business segment	2,576	3,631
Minimum guaranteed adjustment for horse racing	0	4,021
Minimum guaranteed adjustment for sports	0	879
Payable to S.P.A.T.I. S.p.A. for the purchase of business	0	836
Total	**2,576**	**9,366**

The *payable for acquisition of business segments* refers to the acquisition of the business Merkur Interactive Italia S.p.A.

Liabilities relating to assets held for sale or discontinued operations (20)

There are no such liabilities at December 31, 2010.

C) Current liabilities

Trade and other payables (21)

This line item includes *Payables to suppliers*, which are composed of the following:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Third party suppliers	58,393	49,265
Invoices/credit notes to be received	12,519	19,759
Payables to partners for services	146,619	136,006
Payables to AWP gaming machines network	9,616	2,468
Other trade payables	10	623
Total	**227,158**	**208,121**

Payables to partners for services relates mainly to telephone and TV content refill cards sold, whereas *Payables to AWP machines network* mainly represents the amount to be paid to operators owing to the reduction in the PREU rate from 12.6%, the precentage collected during the year, to 12.062%, the percentage decided by AAMS under Decree 2011/8048 ADI dated March 7, 2011.

Short-term debt (22)

This line item, amounting to €35,791 thousand, includes mainly the amount drawn down under the revolving facility granted by the syndicate of banks for short-term cash and working capital requirements.

Current portion of long-term debt (23)

This line item, amounting to €23,080 thousand, represents principally the instalments due on or before December 31, 2011 for €16,886 thousand, according to current repayment plans under the Senior Credit Agreement, €2,000 thousand due by the same date for principal on the loan received from the ultimate parent as established in the relative agreement and €4,194 thousand of finance leasing debt outstanding at the end of the reporting period.

Other current liabilities (24)

The line item, amounting to €522,767 thousand, is composed as follows:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
Other current liabilities	1,383	801
Payables to social security agencies	5,865	5,079
Liabilities relating to fair value of derivative instruments	17,647	21,627
Sundry payables	497,871	396,946
Total	**522,767**	**424,453**

Payables to social security agencies represent the Group's and its employees' social security contributions on salaries and wages and INPS contributions on the remuneration paid to external collaborators and is composed as follows:

a) Payables to social security agencies (in thousands of Euro)	**At 12.31.2010**	**At 12.31.2009**
Collaborators' social security contributions payable	116	125
Employees' social security contributions payable	5,749	4,954
Total	**5,865**	**5,079**

The item *Sundry payables* includes the following:

c) Sundry payables (in thousands of Euro)	**At 12.31.2010**	**At 12.31.2009**
Payables for Totip winnings	185	185
Payables for SuperEnalotto/Vinci per la vita–Win for Life winnings	342,368	232,303
Payables for Coni, Tris games and horse race betting winnings	99	181
Payables to authorities for games	90,261	55,295
Payables to employees	10,401	10,270
Payables to collaborators	1,320	3,684
Minimum guaranteed betting adjustment:	14,849	14,062
minimum guaranteed adjustment for horse racing	8,596	8,656
minimum guaranteed adjustment for sports	1,029	1,200
supplementary minimum guaranteed adjustment	5,224	4,205
Payables to authorities on betting	3,397	3,816
Payables for acquisitions	1,641	642
Payables to players for internet account deposits	5,493	5,552
Payables to AAMS for PREU/AWP concession fee/VLT rights:	16,318	60,280
payables to tax authorities for PREU	10,933	19,473
payables to tax authorities for AAMS concession fee	4,516	3,039
payable to AAMS for VLT rights	0	36,930
Payables for security deposits AWP operators	1,019	304
Payable for Sisal Slot acquisition	3,675	3,567
Other payables:	6,844	6,806
other payables to third parties	4,541	5,010
payables for prediction bets	953	612
payable for winning tickets	1,350	1,184
Total	**497,871**	**396,946**

Payables for winnings include jackpots payable by the Group to winners of pool games and bets at December 31, 2010; these liabilities are covered mainly by the respective dedicated bank balances included in the statement of financial position under assets. The increase in payables compared to the prior period is about €110 million and mainly relates to the first category SuperEnalotto prize payouts assigned, but not yet paid, at the end of the year. Countering the increase, compared to the year-end 2009, is a lower SuperEnalotto jackpot carried forward to the first game of the following year and a lower amount of Vinci per la vita–Win for Life and Win for Life Gold winnings payable, owing principally to a fall in the gaming volumes.

Payables to authorities for games mainly consist of taxes related to contests in the last part of the year, duly paid in January 2010, and the debt for the portion assigned to the SuperStar Reserve Fund. The increase compared to the end of the prior year is due in part to the new regulations relating to the procedure for the settlement of the game taxes, which came into effect with the new NTNG Convention, and in part to the replenishment of the above Reserve Fund during the year, also following the amendments agreed with the concession-granting authority for the determination of the relative prize money.

Payables to employees include the 14th month salary, bonuses, vacation accrued, former holidays, outstanding amounts due and overtime accrued at the end of the year, but not paid.

Payables to collaborators include remuneration similar to employee remuneration and compensation, due to members of the board of directors and board of statutory auditors, which will be paid upon issue of specific pay slips and/or receipt of invoices. The decrease from last year is mainly due to payments made during the year on the settlement agreement signed in April 2008 between the Group and the then-outgoing chief executive officer.

Minimum guaranteed betting adjustment, for €14,849 thousand, includes the present value of the residual short-term amount payable to concession authorities for the additional guaranteed minimum amount payable under the concession contracts for horse racing and sports betting for €9,625 thousand. In 2009, Sisal Match Point S.p.A. did not pay, in agreement with the concession authority, the instalment due for 2009 relating to the guaranteed minimum adjustment for horse race betting equal to €4,365 thousand. This was because of the receivable awarded by the arbitration board on May 26, 2003, which involved 171 companies against the concession grantor U.N.I.R.E. and which was resolved by the arbitration board in favour of the companies, confirming, *inter alia*, the existence of the receivable equal to €425 thousand in favour of the concessions held by Sisal Match Point S.p.A. following the acquisition of the business segments and mergers which took place in prior years. The decision by the arbitration board is still subject to appeal by the AAMS.

Supplementary minimum agreed adjustment, for €5,224 thousand, includes the payable for the supplements of the agreed minimum adjustment due for the year 2008 for €3,260 thousand. To this end, the Group is waiting for a new recalculation by AAMS which takes into account the agreed minimum adjustments paid in reference to the national horse race bets and the payable for the agreed minimum adjustment due for the year 2004 equal to €145 thousand and for the year 2009 equal to €800 thousand. That figure was calculated on the basis of the application of the law and taking into account the discarding of the previous horse-race betting concessions during the year following the bids for the renewal of the so-called historical horse-race betting agencies.

Payables to authorities on betting includes payables to the concession authority for the single tax (€2,152 thousand) due on bets of the last month, for the single tax (€351 thousand) due on online poker and skill games relating to the last month of the year and for the single tax (€894 thousand) on bets of the last 15 days of the year.

Payables to players for internet account deposits represent the amounts deposited by players in order to play online.

Payables to AAMS for PREU/AWP concession fee/VLT rights include the balance of the amount due to the concession authority for the last two months' tax and concession fee for receipts on AWP machines.

Payable for Sisal Slot acquisition represents the short-term portion of the debt incurred for the acquisition from third parties of 35% of the share capital of Sisal Slot S.p.A.

Liabilities relating to fair value of derivative instruments amounting to €17,647 thousand include, in accordance with IAS 39, the negative fair value at December 31, 2010 of the interest rate swaps put into place in the years 2006-2010 in parallel with the previously mentioned loans received by the Parent and other companies of the Group. The main characteristics are as follows:

SWAPs - Hedges on loan

From	To	Notional	Hedging Fix Rate
12.31.2009	12.31.2010	385,000,000	4.197%
12.31.2010	12.31.2011	380,000,000	4.197%
12.31.2011	3.31.2012	280,000,000	1.510%
3.31.2012	6.30.2012	280,000,000	1.510%
6.30.2012	9.30.2012	280,000,000	2.810%
9.30.2012	12.31.2012	280,000,000	2.810%

SWAPs - Hedges on loan

From	To	Notional	Hedging Fix Rate
12.31.2009	3.31.2010	139,000,000	0.900%
3.31.2010	6.30.2010	139,000,000	0.900%
6.30.2010	9.30.2010	154,000,000	1.300%
9.30.2010	12.31.2010	154,000,000	1.300%
12.31.2010	3.31.2011	157,000,000	2.000%
3.31.2011	6.30.2011	155,000,000	2.000%
6.30.2011	9.30.2011	149,000,000	2.650%
9.30.2011	12.31.2011	30,000,000	2.650%
12.31.2011	3.31.2012	140,000,000	2.900%
3.31.2012	6.30.2012	140,000,000	2.900%
6.30.2012	9.30.2012	140,000,000	3.000%
9.30.2012	12.31.2012	140,000,000	3.000%

The hedging rate is at the 1-month or 3-month Euribor.

Taxation payable (25)

Taxation payable comprises the following:

(in thousands of Euro)	At 12.31.2010	At 12.31.2009
IRAP regional income tax	1,154	630
IRES income tax	5,904	241
VAT	95	63
IRPEF payroll tax	1,993	1,386
Withholding tax on RBS loan	310	67
Substitute tax	10	1,683
Other	29	50
Total	**9,494**	**4,121**

This line item includes taxation payable by the Group at December 31, 2010. IRPEF payroll tax on payrolls and services performed by external self-employed collaborators have been duly paid in the early part of 2010 on their due dates. IRAP tax at year end is net of advances already paid.

Commitments

The guarantees, guarantee insurance policies and credit facilities granted by the Group amount to €493,513 thousand and are composed as follows:

Guarantees provided on behalf of third parties – December 31, 2010 (data in thousands of Euro)	
Authority for the Administration of Monopolies of the State (AAMS)	365,102
Non-game services	121,150
Other guarantees provided	7,236
Tax revenues agency – VAT Office	25
Total	**493,513**

In addition to the above commitments, as a guarantee of the payables deriving from the financing contracts signed in the course of the purchase of the majority interest in Sisal S.p.A., the Group pledged the shares held in Sisal S.p.A., Sisal Match Point S.p.A. and Sisal Slot S.p.A. in favour of the banks financing the operation.

Financial instruments: supplementary information

The supplementary information requested by IFRS 7 relating to financial instruments, if not supplied elsewhere in these explanatory notes, is detailed below.

Categories of financial assets and liabilities

In accordance with IFRS 7, the following table details the carrying amount of each category of financial asset and liability, as defined by IAS 39, and the reconciliation with the financial statements at December 31, 2010 and also a comparison with the respective fair value.

Categories of financial assets and financial liabilities - IAS 39 (in thousands of Euro)	Balance 12.31.2010	Statement of comprehensive income		Balance 12.31.2009	Statement of comprehensive income	
		income	expenses		income	expenses
ASSETS						
Cash and cash equivalents						
Bank and postal deposits and valuables in hand	472,881	1,339	4	356,027	1,609	3
Total	**472,881**	**1,339**	**4**	**356,027**	**1,609**	**3**
Financial assets at fair value through profit or loss						
Derivative instruments	0	0	0	1,034	5,975	1,746
Total	**0**	**0**	**0**	**1,034**	**5,975**	**1,746**
Loans and receivables						
Current financial assets	0	0	0	0	0	0
Trade receivables - current and non-current	177,083	0	0	146,323	0	0
Other assets - current and non-current	36,331	217	0	28,785	303	0
Total	**213,413**	**217**	**0**	**175,108**	**303**	**0**
Available-for-sale financial assets						
Other securities	2	0	0	2	0	0
Total	**2**	**0**	**0**	**2**	**0**	**0**
LIABILITIES						
Financial liabilities at amortized cost						
Bank debt and payables to other lenders current and non-current*	1,110,848	0	68,153	1,087,634	3,328	68,158
Trade payables - current/non-current	227,158	3,084	0	208,121	0	60
Other liabilities - current and non-current	505,120	0	829	412,192	0	1,442
Total	**1,843,125**	**3,084**	**68,982**	**1,707,947**	**3,328**	**69,660**
Financial liabilities at fair value through profit or loss						
Derivative instruments	17,647	0	13,679	21,627	0	16,642
Total	**17,647**	**0**	**13,679**	**21,627**	**0**	**16,642**

* The figure includes debt payable to shareholders at the nominal amount since its fair value measurement is not available at this time

Categories of financial assets and financial liabilities - IAS 39 (in thousands of Euro)	**Balance 12.31.2010**	**Fair value**	**Balance 12.31.2009**	**Fair value**
ASSETS				
Financial assets at fair value through profit or loss				
Derivative instruments	-	-	1,034	1,034
Total	**-**	**-**	**1,034**	**1,034**
Loans and receivables				
Interest bearing loans				
Trade receivables - current and non-current	177,083	177,083	146,323	146,323
Other assets - current and non-current	36,331	36,331	28,785	28,785
Total	**213,413**	**213,413**	**175,108**	**175,108**
Available-for-sale financial assets				
Other securities	2	2	2	2
Total	**2**	**2**	**2**	**2**
LIABILITIES				
Financial liabilities at amortized cost				
Trade payables - current/non-current	1,110,848	1,110,848	1,087,634	1,087,634
Bank debt and payables to other lenders - current and non-current*	227,158	235,991	208,121	218,772
Other liabilities - current and non-current	505,120	504,762	412,192	412,048
Total	**1,843,125**	**1,851,600**	**1,707,947**	**1,718,454**
Financial liabilities at fair value through profit or loss				
Derivative instruments	17,647	17,647	21,627	21,627
Total	**17,647**	**17,647**	**21,627**	**21,627**

* The figure includes debt payable to shareholders at the nominal amount since its fair value measurement is not available at this time

Reclassification

The Group has not carried out any reclassification of financial assets among the different categories.

As far as short-term trade receivables and payables and other receivables and payables are concerned, the carrying amount is considered to be a reasonable approximation of their respective fair value.

Concerning indexed financing, the future cash flows of which were not known at year end, the Group has estimated them at a variable rate (inclusive of spreads) and discounted them to present value at year end.

In reference to the financial instruments recognised in the statement of financial position at fair value, IFRS 7 sets out the classification based on a hierarchy level that reflects the significance of the inputs in the determination of the fair value.

The three levels of input are:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than listed prices included in Level 1 observable either directly (prices) or indirectly (derived from prices) in the market.
- Level 3: inputs that are not based on observable market data.

The following table sets out, for assets and liabilities measured at fair value at December 31, 2010, the level in the fair value hierarchy of fair value measurement.

Financial assets/liabilities measured at fair value (in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
1. Financial assets measured at fair value recognized in the Statement of Comprehensive Income				0
2. Available-for-sale financial assets	2			2
3. Hedging derivates				0
Total	**2**	**0**	**0**	**2**
1. Financial liabilities measured at fair value recognized in the Statement of Comprehensive Income		(17,647)		(17,647)
2. Hedging derivates				0
Total	**0**	**(17,647)**	**0**	**(17,647)**

Financial instruments risk management policy

The qualitative and quantitative information required by IFRS 7 concerning the Group's exposure to risks from financial instruments is detailed below.

Credit risk

The Group normally operates only with known and trustworthy counterparts. Receivable balances are regularly monitored throughout the year to ensure that exposure to losses is not significant.

The following main categories of credit risk were identified:

Credit risk by class of risk (in thousands of Euro)	**Balance 12.31.2010**	**Balance 12.31.2009**
Receivables from public authorities	15,101	10,836
Receivables from outlets	170,145	139,645
Receivables from betting agencies	11,353	8,976
Receivables from AWP machines network	27,955	22,538
Other receivables	9,959	7,001
Provision for doubtful accounts	(32,813)	(25,080)
Total	**201,700**	**163,916**

- *Receivables from public authorities* include receivables from AAMS for games managed according to the regulations of the specific concessions, receivables from U.N.I.R.E. arising from advances made on its behalf in the course of management of the Totip game and receivables from the Government for reimbursement requests already forwarded at year end, to be settled shortly. No credit risk is considered to exist on these amounts.
- *Receivables from outlets* represent the amounts due for gaming activities and non-gaming services in the last few days of the year 2010 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 doubtful accounts.
- *Receivables from AWP machines network* mainly represent revenues from gaming through AWP machines, including the single tax (PREU) which the concessionaire, Sisal Slot S.p.A., must pay regularly to 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 duly covered by a specific provision for doubtful accounts.
- *Receivables from betting agencies* mainly represent receivables from third parties which manage some of the horse racing and sports betting agencies on the basis of partnership agreements. The size of individual accounts, some inherited through acquisitions of business concerns, requires constant monitoring of the same and the formation of a provision for certain critical cases, often resolved with agreed repayment plans.

- *Other receivables* include insurance balances, advances to 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 form of risk is apparent.

Risk exposure

At year end, the provision for doubtful accounts of the Group was €32.8 million, with the changes for the year shown in the comments for the related note.
Exposure to credit risk, analysed by reference to the ageing of receivables, was as follows:

Analysis of credit risk (in thousands of Euro)	**Balance 12.31.2010**				**Ageing**
		Current	**Past due 90 days**	**Past due 90 to 180 days**	**Past due more than 180 days**
Trade receivables	209,447	160,183	12,839	2,684	33,138
Provision for doubtful accounts	(32,364)	(4,090)	(415)	(1,763)	(25,513)
Net amount	**177,083**	**156,093**	**12,424**	**921**	**7,625**
Other receivables	25,066	22,616	0	0	1,085
Provision for doubtful accounts	(449)	(265)	0	0	(184)
Net amount	**24,617**	**22,351**	**-**	**-**	**901**
Total	**201,700**	**178,444**	**12,424**	**921**	**8,526**

Overdue trade receivables not covered by provision represent balances on which the Group considers an insignificant risk of uncollectibility to exist.
As already mentioned, the Group monitors credit risk on 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 authorisation to operate as a Sisal outlet in the event of recurrent non-payment.

Liquidity risk

The liquidity risk is the risk whereby the Group encounters difficulty in meeting obligations associated with financial liabilities.

The Group manages this risk by seeking to establish a balance between outflows of cash and the sources of short-term and long-term funding and the gradual and homogeneous distribution of maturities of medium- and long-term funding over time.

Set out below is the analysis of financial liabilities, with the indication of the amounts subdivided by their repayment dates, as required by IFRS 7 in relation to disclosure of liquidity risk:

Analysis of repayment of financial liabilities (in thousands of Euro)	**Balance 12.31.2010**	**Estimated repayments**			
		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	735,999	2,541	54,029	443,262	245,000
Trade payables	227,158	202,573	24,585	-	-
Other payables	525,343	457,818	59,596	8,287	-
Total	**1,488,499**	**662,932**	**138,210**	**451,549**	**245,000**

The flows indicated refer only to repayments of principal. Actual disbursements will be increased by the interest charges due based on the rates applicable to the various loans, as detailed in the long-term debt section of these explanatory notes.

Bank loans and other lenders do not include the loan received from the ultimate parent, Gaming Invest S.àr. l., the repayments of which are subordinated to those of the Senior Credit Agreement.

Further, the table does not include taxation payables, which will be paid at due dates established by existing laws.

During the year, the Group has respected all the repayment clauses stated in existing agreements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price variables, such as foreign currency exchange rates, interest rates, raw materials prices and stock market prices.

The market risk thus comprises:

- Foreign currency exchange risk;
- Interest rate risk;
- Commodity price risk.

As the Group does not operate with foreign currencies, it is not exposed to foreign currency exchange risk, nor is it exposed to commodity risk due to the characteristics of its business.

Foreign currency exchange risk

The Group is not habitually exposed to foreign currency exchange risk, since it operates only at the national level. However, in the course of 2010, it completed the payment of its obligation, in USD, for the purchase of Leonardo new-generation gaming terminals from the American supplier Scientific Games. Consequently, the currency option-forward foreign exchange transaction derivative contract to hedge the Company from fluctuations in the EUR/USD exchange rate risk on this transaction was extinguished.

Interest rate risk

The Group utilises a mix of debt instruments according to the nature of its financial needs. Specifically, 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 that expose the Group to interest rate risk are mainly medium- and long-term indexed loans at variable rates of interest.

The present Group policy aims to reduce the fluctuation of interest costs on its debt and the related effect on the statement of comprehensive income by putting into place interest rate swaps (IRS).
Concerning interest rate risk, a sensitivity analysis was made to determine the effects on income and equity of hypothetical positive and negative 100 bps (basis points) variations relative to current effective interest rates.

The analysis was carried out with reference mainly to the following:

- Cash or cash equivalents;
- Short- and long-term financial liabilities, in connection with the related derivative instruments.

Concerning cash and cash equivalents, reference was made to the average balance and the average interest rate thereon for the year, while for short- and long-term financial liabilities, the effect was calculated at the end of the reporting period, adjusting the cost in the statement of comprehensive income by the effect of closure of the related derivative instrument. This analysis did not include financial payables to the Parent, since they were contracted at fixed rates, and leases payable.

Analysis of interest rate risk (in thousands of Euro)	**Balance 12.31.2010**			**Analysis ± 1% interest rate**	
		Statement of comprehensive income		**Statement of financial position**	
		+1% gain / (loss)	**-1% gain / (loss)**	**+1% gain / (loss)**	**-1% gain / (loss)**
Net financial debt	(608,271)	(2,186)	2,186	(2,186)	2,186
Derivative instruments	(17,647)	9,220	(9,220)	9,220	(9,220)
Total	**(625,918)**	**7,034**	**(7,034)**	**7,034**	**(7,034)**

Capital management

The Group manages its capital structure according to its business needs, taking into account relationships with the private equity funds that indirectly have stakes in its share capital.

The solid financial basis of the Sisal Group is confirmed by the fact that in the last few years the debt/equity ratio has always been below 1:1, except during 2006, due to the corporate and financial restructuring following the acquisition of stakes by Italian and international private equity funds, namely Clessidra, Apax and Permira. The size of the financial debt deriving from the above mentioned transaction was at that time decided on the basis of the valuation of the Group's capacity to generate constant earnings and financial flows to support its debt repayments and related costs and also ordinary activities and investments for its business development.

In the presence of opportunities for investment aimed at enhancing the Group's value and stability, the international importance of the controlling funds and their solid asset basis constitute a guarantee of the Group's ability to seize such opportunities even through recourse to risk capital.

Notes to the Statement of Comprehensive Income

Revenues (27)

Revenues include the consideration received by Group companies for the following types of activity:

Revenues (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Gaming revenues	517,704	439,979
Non-gaming product revenues	86,126	73,534
Outlet revenues	69,590	54,516
Other revenues	658	673
Total	**674,078**	**568,703**

In particular, the revenues from gaming received by Sisal S.p.A., Sisal Match Point S.p.A., Sisal Slot S.p.A. and Sisal Bingo S.p.A. are as follows:

Gaming revenues (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Revenues from horse race betting	26,542	33,213
NTNG revenues	137,587	155,569
SuperEnalotto revenues	82,887	99,045
SuperStar revenues	32,118	40,340
Vinci per la vita–Win for Life revenues	22,582	16,186
Income from sports pools	1,737	2,395
Income from legal gaming (AWP-"comma 6a" machines)	335,011	237,684
Income from Big Match betting	86	155
Bingo revenues	1,841	1,838
Online game revenues	14,899	9,125
Total	**517,704**	**439,979**

Gaming revenues show a decrease from NTNG (€18 million) against a contraction in gaming volumes (compared to 2009, which posted the highest record in the history of the product) and also the full-year effect of the commissions paid to Sisal S.p.A. under the new remuneration conditions in the NTNG Convention signed in June 2009, as a result of which, for the first six months, the concessionaire benefited from a higher percentage fee.
This was partly compensated by €5,191 thousand recorded for incremental commissions accrued during the year as set out in art. 24 of the NTNG Convention.
Vinci per la vita–Win for Life revenues recorded an increase of €6.4 million against the management on an annual basis of the game launched in September 2009 and the introduction in October 2010 of the new game Vinci per la vita–Win for Life Gold.

As for the AWP machines, the growth in revenues (gross of the remuneration paid to the various parties constituting the betting chain) was equal to approximately 41%. This is a significant figure and proportional to the percentage increase in total wagers (+40%), while the average number of installed machines increased by 17.5%. This change is due to the activities carried out this year and in the prior year aimed at growing the number of machines with high-performing game cards, making investments on the distribution network and strengthening the dedicated sales force and the related logistics activities. This resulted in positive effects on the average daily total value played per machine (average coin in), which, at the end of 2010, reached values in excess of 12% over the end of 2009.
An important contribution also came from VLTs (Video Lottery Terminals), which in the first months of activity, immediately generated curiosity and interest with the public and a positioning that, at this time, does not appear to be causing a detriment to the New Slots. The ability to test and certify the first technological platform required for the management of VLTs, faster than almost all its competitors, allowed the Company to start the installation of the new equipment at its sales network and also open, on a timely basis, the first two Sisal Wincity gaming halls, in Milan city centre and in an important shopping centre in Rome. This is an innovative project in which the Company will continue to invest in view of the results achieved in just a few months of operation. At December 31, 2010, Sisal Slot had installed 1,709 new machines for revenues, gross of those due to the betting chain, of more than €13 million.

As for online games, the year was marked by a further consolidation of tournament poker, the revenues of which represent more than 90% of the Group income relating to this type of product, and the start of online bingo, which immediately met with the favour of players, with average takings on a monthly basis of about €2,000 thousand.

Non-gaming product revenues relate to those Group revenues primarily linked to the sale/distribution of telephone and TV content scratch refill cards. During the year, the fees relating to the collection and payment of services managed by the Parent above all reported a considerable increase (following a trend already begun in prior years).

Outlet revenues include mainly the annual affiliation "point-of-sale" fee from Sisal outlets on the basis of the contract terms signed in 2009 (€64.8 million) in addition to €3.4 million relating to the fees invoiced to outlets qualified as horse racing and sports betting points of sale as provided for under the Bersani Decree, for the services rendered by Sisal S.p.A., specifically covered by contracts.

Fixed odds betting income (28)

Fixed odds betting income amounting to €57,981 thousand includes income from fixed odds horse racing bets handled by Sisal Match Point S.p.A.

Fixed odds betting income (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Fixed odds sports betting income	57,352	76,550
Reference horse race betting income	652	872
Fixed odds horse race betting income	(24)	(18)
Total	**57,981**	**77,405**

The significant reduction of this income is mostly attributable to the high and anomalous payouts made during the year, which negatively affected all the operators in the segment.

Other revenues and income (29)

The composition of other revenues and income of €3,917 thousand is as follows:

Other revenues and income (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Other income	3,917	1,941
Total	**3,917**	**1,941**

Prior period income relates mainly to income against costs referring to prior years for €3,500 thousand.

Purchases of materials, consumables and subsidiary goods (30)

Materials, consumables and subsidiary goods (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Purchases:		
purchases of Extrema rolls	10,161	8,675
purchases of playslips and betting slips	2,820	4,062
purchases of spare parts	3,772	2,943
Other purchases	2,437	2,341
Change in inventories	(2,318)	(227)
Total	**16,872**	**17,794**

This line item, equal to €16,872 thousand, includes the cost of paper purchased for gaming terminals for €10,161 thousand, playslips and betting slips for €2,820 thousand and spare parts and consumables for the maintenance of gaming terminals for €3,772 thousand.
Other purchases for €2,437 thousand include advertising and promotional material, stationery and printed forms fully expensed in the year.

External services (31)

The composition of services, amounting in total to €448,067 thousand, is the following:

Costs for services (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Commercial services	40,322	51,988
Other services	407,745	328,988
Total	**448,067**	**380,976**

Commercial services (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Advertising, fairs and conferences	29,582	40,849
Shipping expenses	6,172	6,080
Sisal TV productions	3,012	3,562
Transportation and warehousing	1,257	1,496
Contests with prizes	299	1
Total	**40,322**	**51,988**

Other services (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Travel and transport expenses	2,887	2,420
Collaborators and consulting	25,248	26,749
Telecommunications	13,888	14,860
Game organization and distribution	527	468
Maintenance and repairs	16,868	12,658
Fees to outlets/betting operators/AWP operators	321,988	253,565
Compensation to corporate boards	2,229	2,228
Insurance	1,863	1,812
Banking charges	5,159	4,151
Ticket restaurant/catering	1,360	1,235
Utilities	2,114	1,983
Cleaning	1,487	1,310
Security	1,420	1,044
Other service costs	10,706	4,506
Total	**407,745**	**328,988**

The increase in costs for services is mostly explained by higher costs incurred by the Group for fees to outlets/betting operators/AWP operators, which increased by more than €68 million. The increase is in line with the growth of volumes in the various business segments in which the Group has its activities.
According to the disclosure required by art. 2427 paragraph 16 bis of the Civil Code, it is reported that the fees paid to the company's auditors for the statutory audit of annual accounts of the Parent Company and its subsidiaries amounted to €279 thousand. The same auditing firm was also paid an additional €66 thousand in connection with audit procedures carried out during the year, mainly related to the compliance required by convention NTNG.

Lease and rent expenses (32)

These expenses, amounting to €11,407 thousand, are as follows:

Lease and rent expenses (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Buildings lease	8,280	7,053
Other rentals	3,127	2,871
Leasing	0	21
Total	**11,407**	**9,945**

This line item mainly includes:

- Rent and condominium expenses for €8,280 thousand;
- Rent of motor vehicles and hardware for €3,127 thousand.

Personnel costs (33)

Personnel costs totalling €59,407 thousand comprise the following:

Personnel costs (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Salaries and wages	43,024	39,346
Social security contributions	13,258	11,903
Employee severance indemnities	2,814	2,883
Other personnel costs	311	2,537
Total	**59,407**	**56,670**

The total increase in personnel costs is largely due to a higher headcount in 2010 in the Group, as can be seen in the following table, which presents the number of employees by category for the entire calendar year 2010 and the prior year.

Average number of employees (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Managers	39	33
Management staff	77	67
Clerical	948	893
Labourers	4	4
Total	**1,068**	**997**

Other operating costs (34)

Other operating costs, amounting to €33,661 thousand, comprise:

Other operating costs (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Concession fees	17,807	13,937
Supplement of minimums	0	800
Non-deductible VAT pro-rated	9,537	9,837
Sundry indirect taxes and duties	825	664
Gifts and promotional articles	297	463
Other costs	5,195	3,519
Total	**33,661**	**29,220**

Other operating costs include the concession fees payable under existing regulations for legal gaming with AWP slot machines (for approximately €7.9 million), for sports betting and horse racing and sports games (for approximately €4.5 million) and for National Totalisator Number Games (for approximately €5.3 million).

Amortisation, depreciation, provisions, impairment losses and reversals (35)

The line item, amounting in total to €96,114 thousand, comprises the following:

Amortisation, depreciation, provisions and impairment losses and reversals (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Depreciation, amortisation and impairment losses:		
amortisation of intangible assets	50,463	44,398
depreciation of property, plant & equipment	27,527	22,837
Other impairment losses (reversals) on fixed assets	6,860	1,552
Impairment losses on current receivables	11,253	9,272
Charges for provisions for risks and charges	10	715
Charges for other provisions	0	0
Total	**96,114**	**78,775**

The change in the amortisation of intangible assets is due mainly to the higher amortisation charge on the concession rights for the NTNG games, which in 2010 were amortised over twelve months instead of the six months of the prior year. For the increase in other impairment losses on fixed assets, reference should be made to previous comments.

Finance income and similar (36)

Finance income and similar, amounting to €1,556 thousand, comprise the following:

Finance income and similar (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Other finance income	1,556	6,708
Total	**1,556**	**6,708**

Other finance income (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Other finance income:		
Bank interest income	1,339	1,787
Sundry finance income	217	3,633
Income on financial instruments	0	1,288
Total	**1,556**	**6,708**

In particular, the considerable reduction in *Other finance income* is attributable to the one-time positive effects of the agreement reached in 2009 with the German company Lehman Brothers Bankhaus AG, under an insolvency process. This is one of the banks in the syndicate of lending banks that has allowed the Group to repay some financing lines extended by that bank early, with a discount of 30%.

Finance expenses and similar (37)

Finance expenses and similar amount to €79,580 thousand and comprise the following:

Finance expenses and similar (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Interest and other finance expenses:		
from parent companies	37,987	30,156
Other interest and finance expenses	44,678	58,518
Exchange (gains) losses	(3,084)	(564)
Total	**79,580**	**88,110**

Details of *Other interest and finance expenses* are as follows:

Other interest and finance expenses (in thousands of Euro)	**12.31.2010**	**12.31.2009**
Bank interest	4	2
Loan interest expense and similar	30,165	37,572
Expenses on financial instruments	13,679	19,676
Sundry finance income	829	1,267
Total	**44,678**	**58,518**

Adjustments to financial assets (38)

There are no adjustments to financial assets in 2010.

Share of profit (loss) of companies accounted for by the equity method (39)

The loss of €8 thousand refers to the adjustment of the carrying amount of the investment in the associate Consorzio Promoippica, in liquidation.

Income taxes (40)

The charge for the year comprises:

Income taxes (in thousands of Euro)	**12.31.2010**	**12.31.2009**
IRES	7,380	5,160
IRAP	6,340	5,807
Substitute tax	0	17
Deferred income taxes:		
deferred tax liability - (benefit)	(6,755)	(4,736)
deferred tax asset - charge (benefit)	(1,676)	84
Total	**5,289**	**6,332**

Deferred income taxes include the tax benefit or charge for deferred taxes on the positive and negative components of income of the consolidated companies and any temporary difference between the results of those companies and those determined after consolidation adjustments.
Overall the Group reports a current and deferred tax charge of €5,289 thousand on a pre-tax loss of €7,584 thousand. The difference between the reported tax charge and the theoretical tax charge computed using the tax rate of 31.4% is mainly due to the non-deductibility of personnel and collaborator costs for IRAP purposes and also the non-deductibility (96%) of interest expenses charged during the year by the Parent.

Result attributable to assets held for sale/discontinued operations (41)

There are neither assets held for sale nor discontinued operations in 2010.

Other comprehensive income (42)

There is no other comprehensive income in 2010.

Significant events occurring after the end of the reporting period

The information is provided in the Directors' Report on Operations.

Milan, May 30, 2011

On behalf of the Board of Directors
The Chairman
Prof. Augusto Fantozzi

Annex 1

List of companies included in and excluded from the consolidation area

Companies consolidated line-by-line

Name	Headquarters	Closing date	Share capital	% Ownership Direct and indirect
			€	2010
SISAL HOLDING FINANZIARIA S.p.A.	Milan	Dec 31	102,500,000	**PARENT**
Sisal S.p.A.	Milan	Dec 31	125,822,467	99.81%
Publishing sector				
Sisal Media S.r.l.	Milan	Dec 31	96,900	99.81%
Services sector				
Sisal Servizi Finanziari S.p.A.	Milan	Dec 31	600,000	99.81%
AWP (Amusement With Prizes) gaming machines (slot machines) sector				
Sisal Slot S.p.A.	Milan	Dec 31	2,131,622	99.88%
Betting and gaming halls sector				
Sisal Bingo S.p.a.	Milan	Dec 31	120,000	99.81%
Sisal Match Point S.p.a.	Rome	Dec 31	24,020,000	99.81%
Thomas Morden Course Ltd	Byfleet (U.K.)	Dec 31	30,000*	99.81%

* Pound sterling

Companies accounted for using the equity method

Name	Headquarters	Closing date	Share capital	Equity 2010	% Ownership Direct and indirect
			€	€/000	2010
Consorzio Promoippica in liquidation	Rome	Dec 31	25,825	129	24.57%

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PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409 – TER OF THE CIVIL CODE (now art. 14 of legislative decree no. 39 dated 27 January 2010)

To the Shareholders of
Sisal Holding Finanziaria SpA

1 We have audited the consolidated financial statements of Sisal Holding Finanziaria SpA and its subsidiaries (Sisal Holding Finanziaria Group) as of 31 December 2009, which comprise the balance sheet, the comprehensive income statement, statement of changes in shareholders' equity, statement of cash flow and the related notes. The directors of Sisal Holding Finanziaria SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The audit of the consolidated financial statements at 31 December 2009 was conducted in accordance with the legislation in force during the year then ended.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 12 June 2009.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561

PRICEWATERHOUSECOOPERS

3 In our opinion, the consolidated financial statements of Sisal Holding Finanziaria SpA as of 31 December 2009 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of the Sisal Holding Finanziaria Group for the year then ended.

4 The directors of Sisal Holding Finanziaria SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by laws. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the Report on Operations is consistent with the consolidated financial statements of Sisal Holding Finanziaria SpA as of 31 December 2009.

Milan, 15 April 2010

PricewaterhouseCoopers SpA

Signed by

Andrea Alessandri
(Partner)

This report has been translated into the English language from the original which was issued in Italian, solely for the convenience of international readers.
We have not examined the translation of the consolidated financial statements referred to in this report.

(2)

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