



Independent auditor's report

*in accordance with article 14 of Legislative Decree No. 39 of 27
January 2010 and article 10 of Regulation (EU) No.537/2014*

Gamenet Group SpA

***Consolidated Financial Statements as of 31
December 2017***



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No.537/2014

To the Shareholders of Gamenet Group SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gamenet Group SpA (hereinafter “the Company” and together with its subsidiaries “the Group”), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Gamenet Group SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Valuation of the recoverability of goodwill

*Note 9.2 to the consolidated financial statements
“Goodwill”*

The value of goodwill, equal to Euro 71,493 thousand, accounts for 17 per cent of consolidated assets and 104 per cent of the Group’s consolidated shareholders’ equity; it therefore features as significant item of the consolidated financial statements.

The regular evaluation of the recoverability of this intangible asset is linked to the occurrence of the assumptions behind the corporate plans. This evaluation requires management to make complex estimates, especially with reference to expected cash flows, the discount rate applied and the determination of the growth rate to use to estimate the terminal value of each group of cash-generating units (groups of CGUs) to which goodwill has been allocated.

We gained an understanding and assessed the procedures adopted by management in order to verify the compliance with the requirements of “IAS 36 – Impairment of Assets” adopted by the European Union. Thus, we verified the reasonableness of management’s assumptions used to estimate the expected cash flows under the corporate plans approved by the Board of Directors and we verified the mathematical accuracy of the calculations prepared by management. We also verified that the 2017 budget was substantially matched by the actual data at the same date in order to assess management’s forecast capacity.

As part of our audit procedures performed, we also verified the consistency of the cash generating units identified (groups of CGUs), to which goodwill was allocated compared with the previous year and their alignment with the organizational, management and operating structure of the Group.

We also examined the sensitivity analyses performed by management in respect of the impact on the recoverability of goodwill, of possible changes in estimated cash flows, in the long-term growth rate and in the discount rate used.

During the tests performed by us, including those to assess whether the estimation method used by the Group complied with the provisions of IAS 36 and with the standard evaluation practice, we were supported by PwC network experts.

Revenue recognition

*Note 8.1 to the consolidated financial statements
“Revenues”*

The Company recognised revenues from bet collection through gaming machines, from bets/wagers and from skill games (both on-line

We obtained an understanding of the system of internal control over revenue recognition and we assessed the degree of reliability of the



and physical betting) and from the direct operation of gaming halls and owned gaming machines, for a total amount of Euro 619,309 thousand.

We focused our audit on this financial statement area because of the significance of this item, the considerable number of transactions (with a low unit amount) and the complexity of the IT systems and processes utilised.

system. We verified the effective operation of the system of internal controls over revenues by carrying out compliance testing on significant manual and automatic controls detected within the relevant processes. To perform such compliance testing, we involved PwC network experts.

In addition, our audit procedures involved performing validity tests on the various types of revenues by obtaining and analysing supporting documentation on the transactions selected on a sample basis according to the significance and/or risk criteria.

Specifically, we reconciled the gaming data reported by third-party sources (*Agenzia delle Dogane e dei Monopoli* or ADM, the Italian gaming regulatory authority, and other parties to which a request for balance confirmation was sent) with data resulting from the accounting records.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Gamenet Group SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.



We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 August 2017, the shareholders of Gamenet Group SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Gamenet Group SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Gamenet Group SpA as of 31 December 2017 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 30 March 2018

PricewaterhouseCoopers SpA

Signed by

Leda Ciavarella
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers