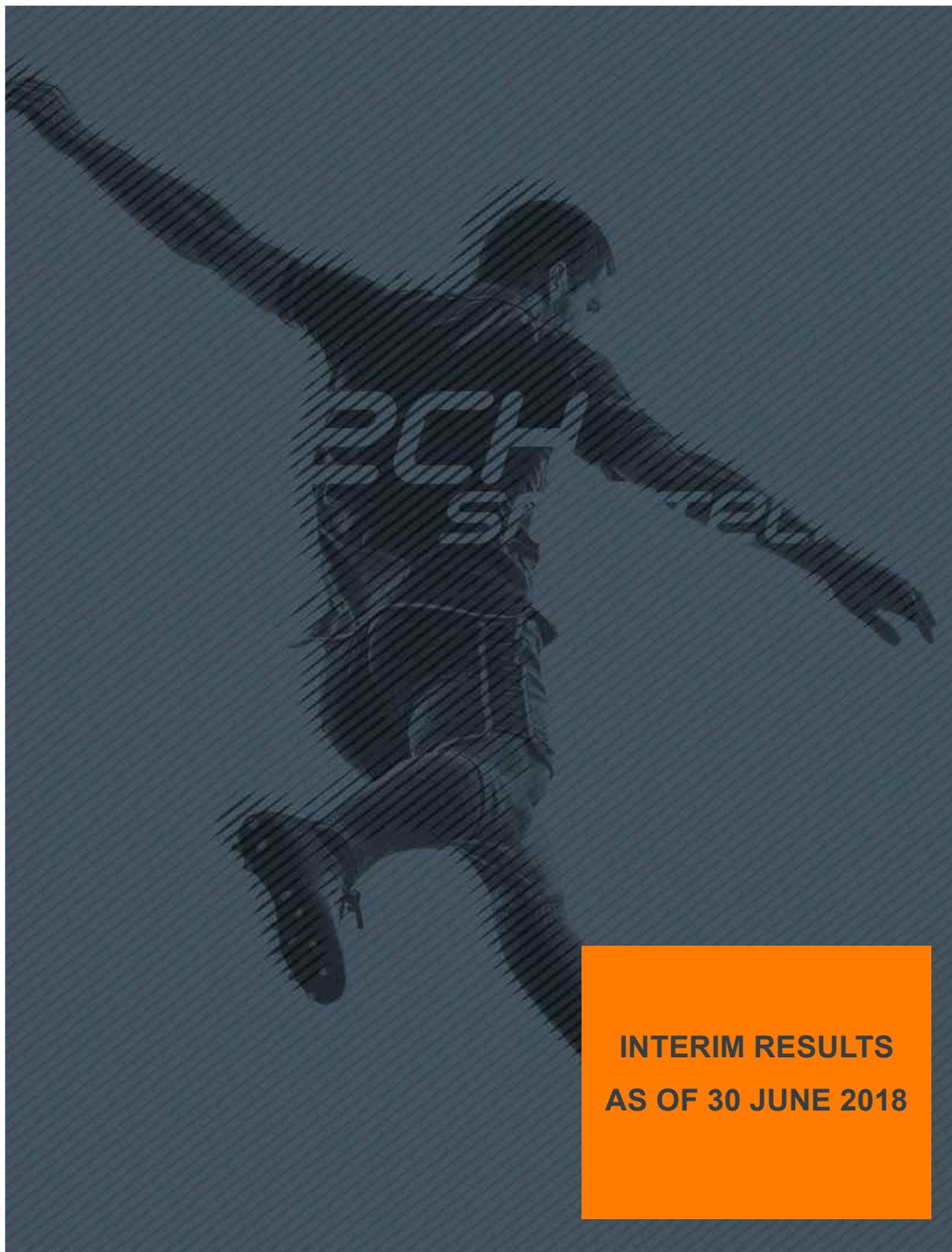


SNAITECH



**INTERIM RESULTS
AS OF 30 JUNE 2018**

SNAITECH S.p.A.

Registered Office in Milan – Piazza della Repubblica, 32 – 20124 Milan

Share Capital Euro 97,982,245.40 fully paid in

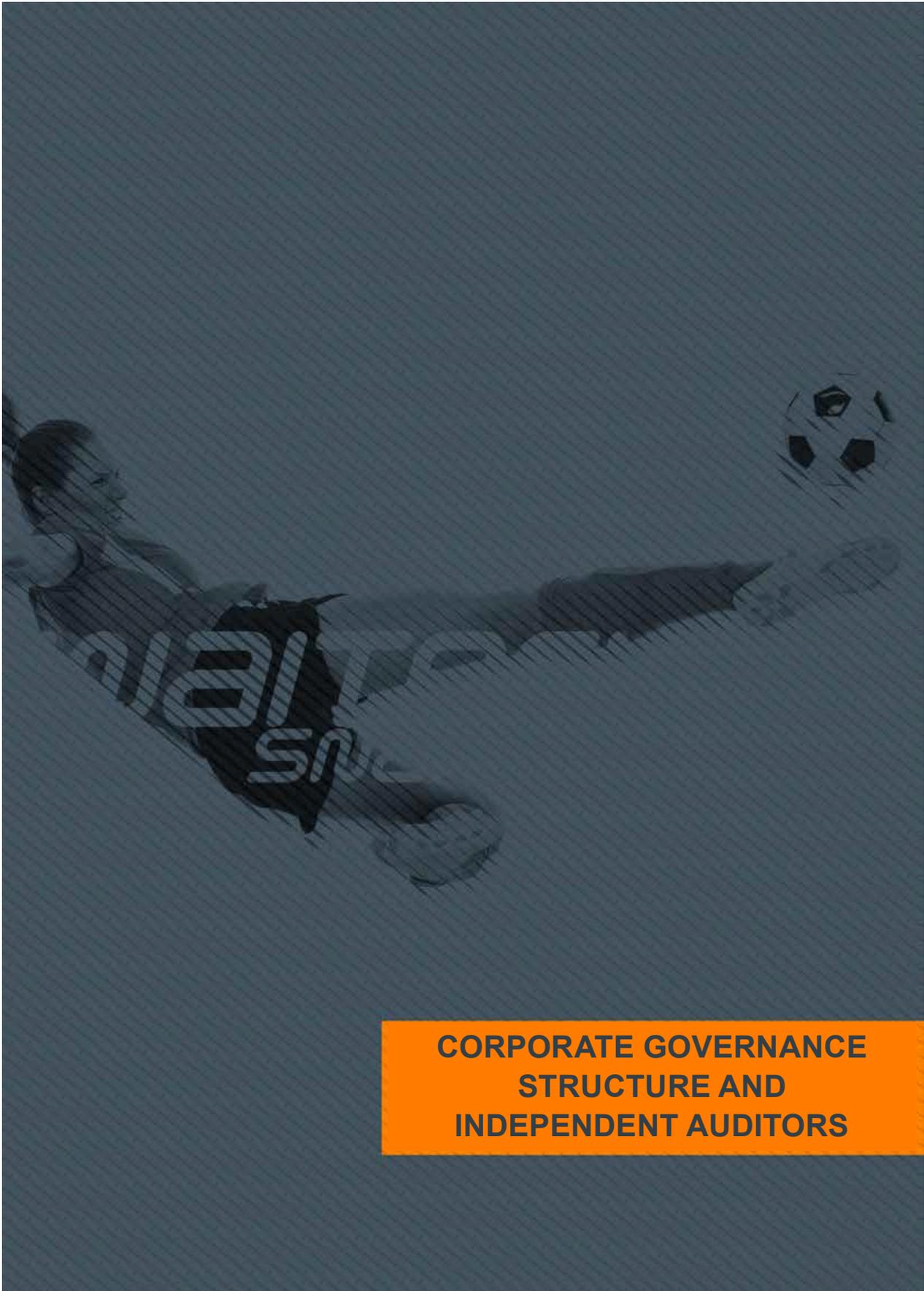
Tax Code 00754850154 - VAT no. 01729640464

Milan REA no. 1584464 - Register of Companies in Milan no. 00754850154

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**CORPORATE GOVERNANCE
STRUCTURE AND
INDEPENDENT AUDITORS**

BOARD OF DIRECTORS

(Appointed from the Shareholders' Meeting held on July 18, 2018 and expiring with the Shareholders' Meeting approving the financial statements as of December 31, 2020).

Chairman
Chief Executive Officer

Moran Weizer
Fabio Schiavolin

Directors

Andrew James Smith
Andrea Nappa^{*/**/**}
Raffaella Viscardi^{*/**/**}
Chiara Palmieri^{*}
Mara Vanzetta^{**/**}

The Director in charge of the preparation of the corporate accounting documents

Chiaffredo Rinaudo

BOARD OF STATUTORY AUDITORS

(Appointed from the Shareholders' Meeting held on May 26, 2017 and expiring with the Shareholders' Meeting, which approves the financial statements as of December 31, 2019)

Chairman
Standing Auditors

Angelo Miglietta
Massimo Gallina
Mariateresa Salerno

INDEPENDENT AUDITORS

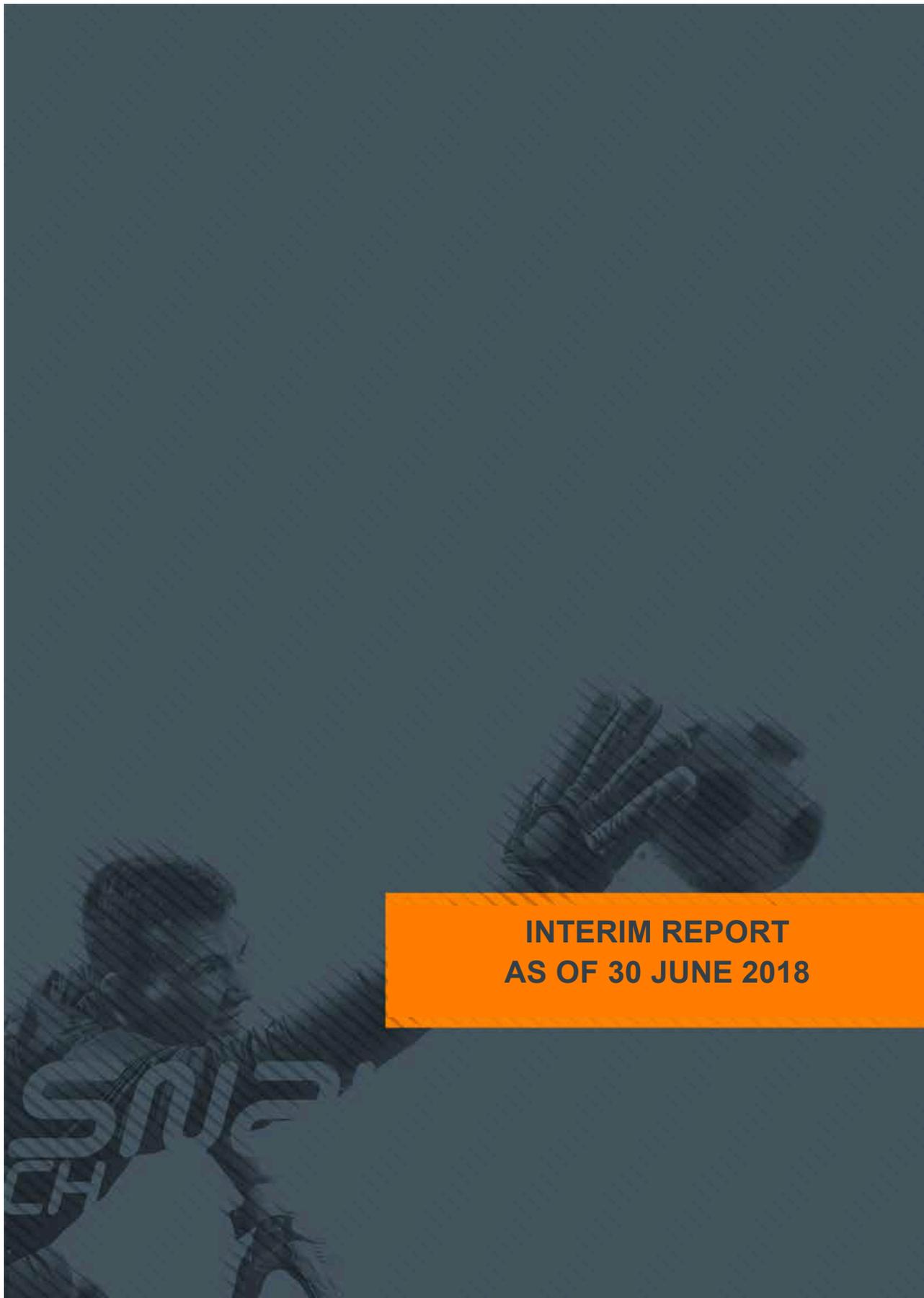
(Appointed from the Shareholders' Meeting held on June 9, 2016, for a nine-year term)

PricewaterhouseCoopers S.p.A.

* *Members of the Control and Risks Committee*

** *Members of the Compensation Committee chaired by Mrs Mara Vanzetta*

*** *Members of the Related Parties Committee chaired by Mrs Mara Vanzetta*



**INTERIM REPORT
AS OF 30 JUNE 2018**

A SNAITECH GROUP

Snaitech Group (the “Group”) is the leading operator on the Italian retail betting market and one of the main players on the gaming machines market.

The Group offering primarily includes, on a national basis: (i) Gaming Machines (AWP and VLT); (ii) Sports bets, Horserace bets and Virtual Events bets both on retail and online channel; (iii) Bingo, Skill and Casino games.

Additionally, the Group offering includes also: (i) bets services provided to independent concessioners; (ii) payment services (utility bill payment, mobile top-up, phone/gift cards) and (iii) management of horse racing tracks in Milan (Trot and Gallop) and Montecatini and (iv) Sat TV broadcasting and Radio channel.

As a market leader and in line with its social responsibility principles, which inspire every single activity, SNAITECH S.p.A. (also “Snaitech” or “Company”) is committed to prevent, control and protect gaming through communication and information campaigns on responsible gaming, which alert clients on the risks of pathologic gaming, as well as cooperate with relevant authorities through reporting of illegal gaming activities.

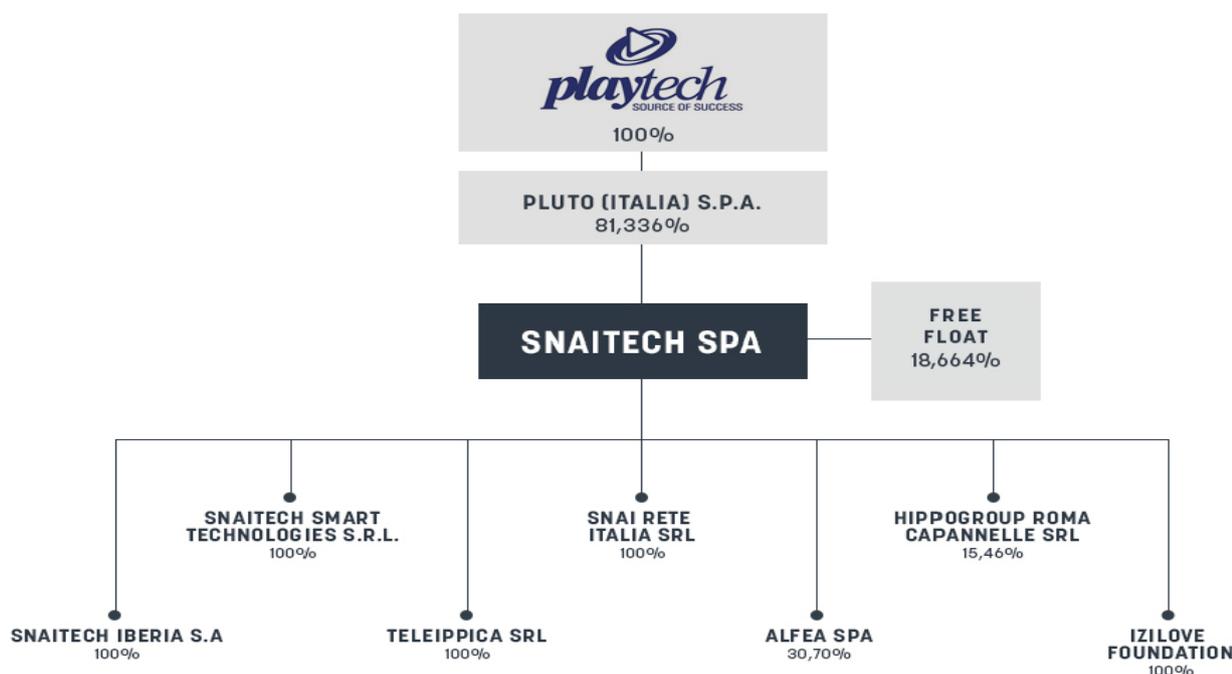
As of June 30, 2018 the Group is controlled by Pluto (Italia) S.p.A. with 81.336% shareholding, an Italian joint-stock company tax registered in Milan, Viale Abruzzi no.94, Register of Companies in Milan 10286850960, with a share capital of Euro 50,000.00 fully paid in.

Pluto (Italia) S.p.A. share capital is wholly owned by Pluto Holdings (Italia) S.p.A., an Italian joint-stock company tax registered in Milan, Viale Abruzzi no.94, Register of Companies in Milan 10283590965, with a share capital of Euro 50,000.00 fully paid in (“Pluto Holdco”).

Pluto Holdco share capital is wholly owned by Playtech Services (Cyprus) Limited, a Cypriot limited liability company with registers office in Cyprus, 146-148 Strovolos, Petousis House, Register of Companies in Cyprus no. HE224317 (“Playtech Services”).

Playtech Services share capital is wholly owned by Playtech Software Limited, which is tax registered in the Isle of Man, St. George’s Court, Upper Church Street, Douglas, IM1 1EE, Register of Companies in Isle of Man no. 014453V (“Playtech Software”).

Playtech Software share capital is wholly owned by Playtech Plc, which is tax registered in the Isle of Man, St. George’s Court, Upper Church Street, Douglas, IM1 1EE, Register of Companies in Isle of Man no. 008505V. Playtech Plc is a public listed company, with a premium listing on the Main Market of the London Stock Exchange.



Note: as of August 3, 2018 Pluto (Italia) S.p.A. hold 100% of SNAITECH shares

B FINANCIAL PERFORMANCE

The following operating and financial analysis is provided as a supplement to the financial statements and the explanatory notes and must be read jointly.

B.1 Comments on “non-GAAP” and Key performance indicators

The key performance indicators of the Group's performance are shown in the following table (in thousands of Euro, with the exception of amounts per share).

<i>Figures in thousand/Euro</i>	<i>First semester</i>		<i>Change</i>	
	<i>2018</i>	<i>2017</i>	<i>€</i>	<i>%</i>
Total revenues	444,144	437,683	6,461	1.5%
EBITDA	74,018	55,504	18,514	33.4%
EBIT	43,367	26,949	16,418	60.9%
Profit/(loss) before tax	23,501	6,447	17,054	>100
Net profit (loss)	15,385	2,034	13,351	>100
Earnings/(loss) per share	0.08	0.01	0.07	>100

EBITDA and EBIT

In compliance with the Consob Communication DEM/6064293 of July 28, 2006, as amended and supplemented (Communication Consob no. 0092543 of December 3, 2015 which transposes the ESMA/2015/1415 directives concerning alternative performance indicators), Snaitech recorded, in its interim management report, in addition to the financial performance measures set out by IFRS, some measures derived from the latter although not contemplated in the IFRS (Non-GAAP Measures). These measures are being adopted with the aim to provide a better assessment of the Group performance and they should not be considered alternatively to those required under the IFRS standards.

In particular, the alternative performance indicators used are the following:

- EBITDA
- EBIT

These performance indicators are not required under the IFRS accounting standards. Therefore, they must not be considered separately or as a replacement of other items of financial statement drafted according to the IFRS standards. These indicators must rather be used to supplement the results calculated according to IFRS in order to allow a better understanding of the operating performance of the Group.

It is worthwhile to emphasize that the calculation of these indicators is not defined by the IFRS accounting standards and therefore their definition must be carefully assessed and analysed by the investor. A detailed description of the above-mentioned indicators is provided below along with IFRS accounting standards reconciliation.

The Non-IFRS measures, such as EBITDA, EBIT and the net financial indebtedness are included in this interim management report in order to:

- Improve the level of transparency for the financial community;
- Assist investors in the assessment of the operating performance of the Group and its capacity to refinance its debt within the due date and to obtain further funding to invest in new business opportunities;
- Assist investors in calculating the cost of debt for the Group;
- Ensure that these measures are fully understood in light of the Group assessment of its operating results and financial leverage;
- Define precisely the measures adopted and confirm their calculation method;
- Share these measures with the financial community simultaneously.

EBITDA represents the net profit attributable to the Group before income taxes, other financial income and expenses, amortisations and depreciations, non-recurrent income and expenses, fees on bank guarantees

and bank expenses and cost of personnel related to share-based remuneration (IFRS 2 charges). It is believed that the determination of EBITDA is useful to both the management and the investors in assessing the operating performance of the Group, as well as for comparisons with other companies operating in the same sector, although these indicators may not be comparable with the same indicators used by the other companies.

The Group recognises certain limits on the usefulness of EBITDA such as:

- The above indicator does not include financial expenses. Since the Group received funding to develop its own business, the financial interest is deemed to be a needful item to determine overall costs and assess the ability to produce earnings and cash flows. Therefore, any indicator that excludes financial expenses may have significant limitations;
- The above indicator does not include amortisations, depreciations and write-downs on fixed assets. Since the Group owns fixed assets, depreciation, amortization and write-down are essential to define overall costs and assess the ability to produce earnings. Therefore, any indicator that excludes depreciations/amortisations may have significant limitations;
- The above indicator does not include income taxes. Since income taxes are deemed to be a needful item to determine overall costs, any indicator that excludes income taxes may have significant limitations;
- They do not take into account any cash disbursement or capital requirement to fund future investments or contractual commitments;
- The above indicator does not take into account any changes to the working capital or to the capital requirement.

In order to address the above limitations, the Group adopts the EBITDA as a comparative tool along with those indicators determined in accordance with IAS/IFRS accounting standards, with the aim to facilitate assessment of the operating performance and financial leverage of the Group.

EBIT refers to “Earnings before interest and taxes” recorded in the Statement of Comprehensive Income.

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

<i>Figures in thousand/Euro</i>	First semester		Change	
	2018	2017	€	%
EBIT	43,367	26,949	16,418	60.9%
+ Depreciation of property, plant and equipment	8,509	10,265	(1,756)	-17.1%
+ Amortisation of intangible fixed assets	16,923	14,635	2,288	15.6%
Earnings before interest, tax, depreciation and amortisation	68,799	51,849	16,950	32.7%
+ Commissions on bank guarantees and costs	3,292	3,186	106	3.3%
+ Costs related to share-based remuneration (IFRS 2)	616	68	548	>100
+ Non-recurring Costs (income)	1,311	401	910	>100
EBITDA	74,018	55,504	18,514	33.4%

The composition of the Profit (Loss) before taxes is obtained by adding the following items to EBIT:

<i>Figures in thousand/Euro</i>	First semester		Change	
	2018	2017	€	%
EBIT	43,367	26,949	16,418	60.9%
+ Profit/(loss) of associates measured using the equity method	(12)	(541)	529	-97.8%
+ Financial income	202	381	(179)	-47.0%
+ Financial costs	(20,055)	(20,338)	283	1.4%
+ Net income (loss) on foreign exchange	(1)	(4)	3	75%
Profit before tax	23,501	6,447	17,054	>100

B.2 Non-recurring income and costs

In the first half of the year, the Group accounted for Euro 1,311 thousand non-recurring costs occurred out of the normal course of business and mainly related to advisory activities and other services received during the mandatory tender offer and subsequent merger into the Playtech Group. These costs are considered of extraordinary nature and non-recurring by the Board of Directors

B.3 Economic and financial performance of the Group

In the first half of 2018, total revenues of the Snaitech Group increased by 1.5% compared to the same period of previous year, moving from Euro 437.7 million to Euro 444.1 million. Revenues from sales and services totalled Euro 441.6 million in the first semester 2018 compared to Euro 436.1 million in first half 2017, with a 1.3% increase owing to lower payout level on Sports Betting, the increase of Online games and Sports Betting and the positive effect of lower payout on VLTs partially offset by the increase of PREU tax rate on Gaming Machines, effective from April 2017, and by lower wagers from Gaming Machines.

Notwithstanding the increase of PREU tax rate on Gaming Machines, the Group's EBITDA increased by 33.4%, from Euro 55.5 million to Euro 74 million, owing to a lower Sports payout, good performance of the Online business, the outsourcing of shops owned by SNAI Rete Italia and the achievement of relevant synergies and operational efficiencies following the merger with Cogemat group.

In the first semester of 2018 the non-recurring net cost impacted EBITDA by Euro 1.3 million compared to Euro 0.4 million of non-recurring net costs in the same period 2017.

In the first semester of 2018, the Group's EBIT grew by 60.9% to settle at Euro 43.4 million compared to Euro 26.9 million, owing to the aforementioned increase of EBITDA. The Group's result before taxes was positive and equal to Euro 23.5 million, up by Euro 17 million compared to the first semester of 2017.

The net profit of the Group in the first half of 2018 is equal to Euro 15.4 million, compared to a net profit of Euro 2 million in the same period last year.

The net financial indebtedness of the Snaitech Group as of June 30, 2018, was equal to Euro 366.2 million, versus Euro 428.8 million as of December 31, 2017. Such reduction is for the most part related to the increase of cash and cash equivalents by Euro 63.3 million, owing to the refund of the security deposit for 2017, the economic results achieved and the net working capital movements.

B.4 Group Financial Position and Income Statement
Snaitech Group – Consolidated Statement of Comprehensive Income

<i>Figures in thousand/Euro</i>	First semester	
	2018	2017
Revenues from sales and services	441,579	436,066
Other revenues and income	2,565	1,617
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(1,185)	(388)
Cost of services and third party assets	(326,232)	(333,441)
Costs of personnel	(24,241)	(26,693)
Other operating costs	(24,008)	(25,904)
Capitalised costs	321	592
Earnings before interest, tax, depreciation and amortisation	68,799	51,849
Amortisation and depreciation	(25,432)	(24,900)
Earnings before interest and taxes	43,367	26,949
Gains and expenses from shareholdings	(12)	(541)
Financial income	208	390
Financial costs	(20,062)	(20,351)
Total financial income and expenses	(19,866)	(20,502)
Profit / (Loss) before taxes	23,501	6,447
Income taxes	(8,116)	(4,413)
Profit/(Loss) for the period	15,385	2,034
(Loss)/profit from re-measurement on defined benefit plans after taxes	52	185
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	52	185
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	0	0
Total profit/(loss) in comprehensive income statement, after taxes	52	185
Comprehensive profit (loss) for the period	15,437	2,219
<i>Attributable to:</i>		
Profit (loss) for the period pertaining to the Group	15,385	2,034
Profit (loss) for the period pertaining to Third parties	0	0
Total profit (loss) for the period pertaining to the Group	15,437	2,219
Total profit (loss) for the period pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	0.08	0.01
Diluted earnings (loss) per share in Euro	0.08	0.01

Snaitech Group – Consolidated Statement of Financial Position

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017
ASSETS		
Non-current assets		
Property, plant and equipment	129,214	132,086
Assets held under financial leases	210	281
Total property, plant and equipment	129,424	132,367
Goodwill	310,027	310,027
Other intangible assets	112,634	116,592
Total intangible assets	422,661	426,619
Investments measured using the equity method	1,465	1,477
Investments in other companies	443	443
Total investments	1,908	1,920
Deferred tax assets	33,206	39,251
Non-current trade receivables	6,241	8,622
Other non-financial assets	1,232	1,473
Non-current financial assets	3,381	3,386
Total non-current assets	598,053	613,638
Current assets		
Inventories	670	205
Trade receivables	95,622	113,297
Other assets	37,205	52,965
Current financial assets	17,044	16,970
Cash and cash equivalents	200,860	137,591
Total current assets	351,401	321,028
TOTAL ASSETS	949,454	934,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to equity holders of the Parent Company		
Share capital	97,982	97,982
Reserves	47,659	20,597
Profit (loss) for the period	15,385	27,010
Total shareholders' equity attributable to equity holders of the Parent Company	161,026	145,589
Shareholders' equity attributable to non-controlling interests		
Total shareholders' equity	161,026	145,589
Non-current liabilities		
Employee termination indemnities	6,489	6,762
Non-current financial liabilities	561,052	560,244
Provisions for risks and charges	13,110	13,711
Other non-current liabilities	3,648	4,023
Total non-current liabilities	584,299	584,740
Current liabilities		
Trade payables	37,885	39,155
Other liabilities	160,171	159,036
Current financial liabilities	5,589	5,667
Current portion of long-term loans	484	479
Total current financial liabilities	6,073	6,146
Total current liabilities	204,129	204,337
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	949,454	934,666

Snaitech Group - Consolidated Cash Flow Statement

<i>Figures in thousand/Euro</i>	30.06.2018	30.06.2017
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the period attributable to equity holders of the Parent Company	15,385	2,034
Financial expenses	20,062	20,351
Amortisation and depreciation	25,432	24,900
Net change in deferred tax assets and liabilities	6,029	3,876
Change in provision for risks and charges	(601)	(12,432)
(Gains)/loss on disposal of non-current assets (including shareholdings)	(20)	(349)
Share of profit/(losses) of associates measured using the equity method	12	541
Net change in employee termination indemnities	(205)	(535)
Net change in non-current trade assets and liabilities and other changes	2,247	(3,053)
Net change in current trade assets and liabilities and other changes	32,297	45,495
Cash and cash equivalents generated by operations	100,638	80,828
Taxes paid	0	(916)
Interest paid	(17,802)	(17,807)
CASH FLOW FROM OPERATING ACTIVITIES (A)	82,836	62,105
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(5,677)	(6,318)
Investments in intangible assets	(12,427)	(3,755)
Acquisition of business units	0	(240)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	131	353
CASH FLOW USED IN INVESTING ACTIVITIES (B)	(17,973)	(9,960)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Change in financial receivables and other financial assets	(69)	(149)
Change in financial liabilities	(1,286)	(1,719)
Proceeds from bank loans	0	1,450
Repayment of bank loans	(239)	(39)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	(1,594)	(457)
D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)		
E. TOTAL CASH FLOW (A+B+C+D)	63,269	51,688
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)	137,591	82,337
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY		
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	200,860	134,025

Snaitech Group - Net financial indebtedness

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017
A. Cash	296	568
B. Other cash and cash equivalents	200,564	137,023
– Bank accounts	198,156	135,859
– Postal accounts	2,408	1,164
C. Securities held for trading	0	1
D. Liquidity (A) + (B) + (C)	200,860	137,592
E. Current financial receivables	45	0
– Interest on bank accounts	45	0
F. Current bank debts	121	136
G. Current portion of non-current indebtedness	484	479
H. Other current financial payables	5,468	5,531
– Interest on bond loans	5,311	5,352
– Payables to other lenders	157	179
I. Current financial indebtedness (F) + (G) + (H)	6,073	6,146
J. Net current financial indebtedness (I) - (E) -(D)	(194,832)	(131,446)
K. Non-current bank debts	452	696
L. Bonds issued	560,494	559,385
M. Other non-current payables	106	163
– Payables to other lenders	106	163
N. Non-current financial indebtedness (K) +(L) + (M)	561,052	560,244
O. Net financial indebtedness (J)+(N)	366,220	428,798

Net financial indebtedness does not include restricted bank accounts and deposits of Euro 16,837 thousand and the dedicated bank account of Euro 162 thousand (included in the item “Current financial assets”) as well as other non-current financial assets of Euro 3,381 thousand.

B.5 Covenants

As with other similar loans, the outstanding loan agreements (revolving credit line and bonds) envisage a number of obligations for the Snaitech Group.

More specifically, the Company is required to undertake commitments aimed at safeguarding the credit position of the financing entities, such as: restrictions on dividends distribution until expiration of bonds, restrictions on the early repayment of bonds, restrictions on new financial indebtedness, new specific investments and disposal of corporate assets and properties. Some events of default are also specified, upon which lenders may request early repayment in whole or in part of the loans.

According to the Senior Revolving loan facility, Snaitech S.p.A. agreed to send, on a quarterly basis, a Compliance Certificate stating the absence of any event of default in the relevant period. The Compliance Certificate includes also the Total Net Leverage indicator representing the ratio needed to fix the margin of the facility. Financial documentation does not envisage Maintenance Covenants, which would require the Company and the Group to comply constantly with certain financial parameters in order not to early repay the loans.

Finally, according to the Senior Revolving credit facility and bonds, the Group is obliged to provide periodically its lenders with financial and income statements.

C.1 Comments on Gambling Market in the first semester of 2018

Based on the available data (ADM official data, press release and sectorial studies), in the first semester of 2018 the estimated total wagers from gambling grew approximately by 4.8% compared to the same period in 2017, to settle at Euro 52.8 billion.

In particular, gross overall wagers for Snaitech Group's addressable market (Gaming Machines, Betting and Online both on Retail and Online channel) grew by 4.4%, compared to the same period in 2017, to reach Euro 41.9 billion.

Wagers from Gaming Machines decreased by 1.5% (down to Euro 24.1 billion, compared to 2017, while wagers increased both from Retail Betting (Euro 3.2 billion, up by 0.8% compared to 2017) and from Online (Euro 14.5 billion, up by 17.1% compared to 2017). Out of Snaitech Group's addressable market all other segments grew overall (Lotto and Betting Exchange National Totalizer Games, Lotteries and Bingo on Retail channel).

The reduction of wagers from Gaming Machines is mainly due to the decrease of AWP's wagers (-4.1% versus 2017 down to Euro 12.1 billion) partially offset by the growth of VLT's wagers (up by 1.7% to Euro 12 billion). The reduction in wagers from AWP's is owed to the first cut of AWP's required by the Stability Law 2017 and to tighter local regulations on distance from sensible places and opening hours.

The increase in the Retail Betting segment is mainly due to the positive performance of Virtual Events and by additional bets collected on the world cup in the first 15 days, which offset the lower payout for 2018 (Fixed-odd payout 80.6% vs. 86.7%).

The growth of Online Betting segment is owed to both to the organic growth (given the wider Internet and mobile devices diffusion), the entrance of new concessioners as well as the augmentation of products and services offering and the world cup 2018.

Figures in million/Euro Breakdown by business segment	Market Period ending 30 June		
	2018	2017	Change %
AWP's (par. 6A)	12,078.2	12,600.8	-4.1%
VLT's (par. 6B)	11,982.0	11,781.1	1.7%
Par. 7	69.3	116.8	-40.7%
Gaming Machines	24,129.5	24,498.7	-1.5%
Sports Betting	2,203.5	2,213.7	-0.5%
Betting Pool	7.4	9.4	-20.9%
Horse racing Betting	237.8	253.4	-6.2%
Virtual Events	780.4	728.2	7.2%
Retail Betting	3,229.0	3,204.8	0.8%
Sports Betting	3,086.6	2,738.9	12.69%
Betting Pool	0.5	0.4	15.9%
Horse racing Betting	37.6	35.9	4.9%
Virtual Events	68.3	35.4	92.9%
Online Games (Skill Games, Casino Games and Bingo)	11,343.9	9,606.0	18.1%
Online	14,536.9	12,416.6	17.1%
Total addressable market	41,895.4	40,120.0	4.4%
Betting Exchange	715.1	550.6	29.9%
Retail Bingo	742.9	738.3	0.6%
GNTN	822.1	755.5	8.8%
Lotteries	4,644.7	4,523.9	2.7%
Lotto	4,014.5	3,715.3	8.1%
Total Gambling Market	52,834.7	50,403.7	4.8%

C.2 Snaitech performance

Snaitech Group, by collecting total wagers of Euro 5,071.5 million, up by 2.5% compared to 2017, is the leading operator on the Retail Betting segment, the second operator on the Gaming Machines segment and the fifth one on the Online segment (Betting and Games).

In the Retail Betting segment, the Group provides specialised services to other concessioners ("Concessioner clients"), for a total number of 532 points of sales (many of them exposing Snaitech logo) and collected wagers for Euro 214.9 million in the first quarter of 2018 (0.5% market share), down by 3.4% compared to same semester of 2017.

Additionally, the 3 horserace tracks (2 in Milan and 1 in Montecatini) are managed by the Group and produced revenues of Euro 2.4 million, down by 16.7% compared to 2017.

The Group grew also in the payment and top-ups services through the Payment brand: in June 2018, wagers totalled Euro 34.6 million (down by -26.6% compared to 2017 due to the suspension of some of the services provided).

<i>Figures in million/Euro</i>	First semester		Change
Wagers breakdown by business segment	2018	2017	
AWPs (par. 6A)	1,807.3	1,825.5	-1.0%
VLTs (par. 6B)	1,736.3	1,751.8	-0.9%
Par. 7	.	.	0.0%
Gaming Machines	3,543.6	3,577.3	-0.9%
Sports Betting	375.0	384.7	-2.5%
Betting Pool	0.8	0.8	-2.4%
Horse racing Betting	89.4	98.1	-8.8%
Virtual Events	134.0	128.3	4.5%
Retail Betting	599.3	611.9	-2.1%
Sports Betting	230.1	185.3	24.2%
Betting Pool	.	.	0.0%
Horse racing Betting	14.1	11.6	21.6%
Virtual Events	10.8	10.4	3.9%
Online Games <i>(Skill Games, Casino Games and Bingo)</i>	673.6	552.9	21.8%
Online	928.7	760.2	22.2%
Total - Snaitech Group	5,071.5	4,949.4	2.5%

C.2.1 Gaming Machines segment

Snaitech Group is the second most important market operator.

At the end of the period, the Group owns 38,534 AWP licences deployed in 11,671 points of sales and 10,378 VLT licences, of which 10,067 associated with working VLTs deployed in 1,226 points of sales.

Group wagers from Gaming Machines decreased from the same period of last year, lowering from Euro 3,577 million to Euro 3,544 million (down by 0.9%). This reduction is owed to tighter local regulations on distance from sensible places and opening hours as well as lower payout on VLTs and AWP regulatory cut occurred in the period. In more details, wagers from VLTs were Euro 1,736 million (down by 0.9% compared to 2017) while wagers from AWP were Euro 1,807 million (down by 1% compared to 2017).

C.2.2 Retail Betting segment

In the first semester of 2018 Snaitech Group consolidates its position of market leader.

The Retail distribution network of Betting business is composed of 1,622 points of sales divided between 700 shops and 922 corners.

The overall wagers collected on retail channel in the first semester of 2018 decreased by 2.1%, down to Euro 599 million from Euro 612 million in 2017, owing to the lower payout for players. In the period, payout on Sports Betting was on average 81.3% compared to 85.2% in 2017.

Wagers from Sports Betting decreased by 2.5%, down to Euro 375 million (the additional wagers collected during the world cup did not offset the effect of lower winnings) as well as the wagers from Horserace Betting (down by 8.9% to Euro 89 million) while wagers from Virtual Events raised by 4.5% to Euro 134 million.

In relation to the former Finscom-SIS points of sales, the outsourcing program is still under implementation with 8 shops sold in the first half of 2018.

C.2.3 Online segment

In the first six months of 2018, Snaitech Group consolidated its position in the Online segment, which grew by 22.2% versus 2017, up to Euro 929 million from Euro 760 million. Such increase is mainly owed to acquisition strategies and enhancement of cross selling on retail distribution network. In more details, wagers from Sports Betting were Euro 230 million (up by 24.2% compared to 2017, owing also to the world cup) and wagers from Online Games (Casino, Skill games and slot) were Euro 674 million (up by 21.8% compared to 2017).

Sports Betting payout in the semester quarter was 86.4% versus 88.5% recorded in 2017.

D SIGNIFICANT EVENTS OCCURRED IN THE FIRST SEMESTER 2018

D.1 Agreement for the transfer of 70.561% of the shareholding in Snaitech by Global Games and OI-Games to Playtech Plc

On 12 April 2018, Global Games S.p.A. ("Global Games"), controlling shareholder of Snaitech S.p.A. ("Snaitech"), with a shareholding equal to 55.533% of the relevant corporate capital and OI-Games S.A. ("OI-Games"; together with Global Games, the "Sellers"), shareholder of Snaitech with a shareholding equal to 15.028% of the relevant corporate capital, disclose they have executed, on April 11, 2018, a sale and purchase agreement (the "Sale and Purchase Agreement" or the "Agreement") with Playtech Plc. ("Playtech"), by virtue of which – subject to the Conditions Precedent (as defined below) – Playtech (through an Italian company to be incorporated, wholly-owned by Playtech) agree to purchase and acquire the ownership of a shareholding equal to 70.561% of the corporate capital of Snaitech (the "Shares").

Playtech, a company listed on the Main Market of the London Stock Exchange, is a well-regarded and leading industrial operator, with about 5,000 employees across 17 Countries in the world, operating especially in the B2B market, due to the supply of its software and other services to many of the most significant operators of the online, retail and mobile gambling.

The purchase price agreed upon for the sale and purchase of the Shares amounts to Euro 2.19 per Share and, thus, it is equal to a total amount of Euro 291 million.

Pursuant to the Agreement, the Closing is conditional upon the following conditions precedent (the "Conditions Precedent"):

- i. Approval of the transaction by the shareholders of Playtech, pursuant to Chapter 10 of the UK Listing Rules, since the transaction, which exceeds certain thresholds of relevance set forth under the legislation applicable to listed companies on the London Stock Exchange, is to be classified as "Class 1 Deal";
- ii. Receipt of any required approval from any relevant antitrust authority, in so far as it is requested according to the applicable Law;
- iii. Consent to the transaction of the Italian Gaming Regulatory Authority (Autorità delle Dogane e dei Monopoli).

On 30 May 2018, Global Games and OI-Games S.A. disclosed to the market the satisfaction of the conditions precedent of the Agreement.

On 5 June 2018, Global Games and OI-Games S.A. sold to Pluto (Italia) S.p.A. (wholly owned by Playtech) their shareholding (equal to 70.561% of the share capital). As a consequence, Pluto (Italia) S.p.A. launched a Mandatory Tender Offer as specified in the following paragraphs.

D.2 Events related to corporate governance bodies following the acquisition of Playtech Plc

Resignation of two Directors

On 30 May 2018, in connection with transaction relating to the acquisition from Playtech Plc, through its subsidiary Playtech (Italy) S.p.A., of the shareholding equal to 70.561% of the share capital of the Company from the current shareholders Global Games S.p.A. and OI Games S.A. (as announced to the market on 12 April 2018 and with subsequent press releases dated 30 May 2018, the "Transaction"), the Company received the resignation of the Directors (neither executive nor independent) Mr. Giorgio Drago and Mr. Roberto Maestroni.

The above resignations will be effective as of the date of completion of the Transaction, scheduled on 5 June 2018.

Furthermore, it should be noted that - as far as the Company is aware - none of the resigning Directors holds Snaitech shares.

Board of Directors held on 5 June 2018

On June 5, 2018, the Board of Directors approved - following the resignations of the Directors Mr. Giorgio Drago and Mr. Roberto Maestroni announced to the market on 30 May 2018, effective as of June 5, 2018 - to appoint by co-optation, pursuant to art. 2386 of the C.C., Mr. Moran Weizer and Mr. Andrew James Smith as new Directors of the Company.

Moran Weizer (Chairman of the Board of Directors of Pluto (Italia) S.p.A. and CEO of the Playtech Group) and Andrew James Smith (Director of Pluto (Italia) S.p.A. and CFO of the Playtech Group) declared to satisfy the requirements provided for by the current law and the by-laws for the office as Directors.

Neither Moran Weizer nor Andrew James Smith hold Snaitech shares.

During the meeting, the Chairman Mara Caverni as well as the Managing Director Fabio Schiavolin and the Directors Roberto Ruozi, Chiara Palmieri, Nicola Iorio, Barbara Poggiali, Salvatore Catapano, Raffaella Viscardi, Nadia Buttignol, Paolo Scarlatti, Mauro Pisapia and Maurizio Leo resigned from their respective offices. All the above resignations will be effective as from the date of the next Shareholders' Meeting.

Given that, pursuant to the current By-laws' provisions, the entire Board of Director will cease from the office as from the effective date of the above resignations, the Board of Directors approved to convene the Ordinary Shareholders' Meeting, for the appointment of a new administrative body, on the next 18 July 2018.

Lastly, in the course of today's meeting, the Board also acknowledged the notice released by Pluto (Italia) S.p.A., pursuant to art. 102 of the Legislative Decree n. 58/98, on the obligation, that arose after the purchase of n.132,956,595 Snaitech ordinary shares completed at the current date, to launch a mandatory takeover bid for n. 38,084,073 other Snaitech shares in circulation, not already in its possession, for a price equal to Euro 2.19 for each single share.

Board of Directors held on 20 June 2018

The Board of Directors, met on 20 June 2018, approved the notice drafted pursuant to Articles 103, par. 3, of Legislative Decree 58/98 ("TUF") and 39 of Consob Regulation 11971/99 (the "Issuer's Notice") with respect to the Mandatory Tender Offer launched by Pluto (Italia) S.p.A. ("Pluto" or the "Offeror") pursuant to Articles 102 and 106 TUF over all the shares of Snaitech not already held, directly or indirectly, by the same Offeror (the "Offer") against a consideration of each Snaitech share equal to Euro 2.19 (the "Offer Price").

In particular, the Board of Directors - having reviewed the draft Offer document drafted by the Offeror (in the last version made available to the Company), the opinion of the Independent Directors pursuant to Article 39-bis of the Consob Regulation 11971/99 (the "Independent Directors Opinion") and having considered the fairness opinions rendered by Goldman Sachs International – Filiale Italiana ("Goldman Sachs"), in its capacity as advisor appointed by the Board of Directors, and by KPMG Advisory S.p.A. ("KPMG"), in its capacity as independent expert appointed by the Independent Directors - considered fair, from a financial perspective, the Offer Price.

The Issuer's Notice, containing the reasoned assessment of the Board of Directors over the Offer and over the Offer Price as well as the fairness opinion issued by Goldman Sachs, the Independent Directors Opinion and the fairness opinion issued by KPMG will be attached to the Offering Document.

D.3 MTO – Mandatory Tender Offer

On 21 June 2018, Pluto (Italia) S.p.A. notified CONSOB, which has approved on the same day, pursuant to art. 102, par. 4 of D. Lgs. no. 58 of 24 February 1998 and subsequent amendments ("TUF"), the offering document (the "Offering Document") relating to the mandatory takeover offer (the "Mandatory Takeover Offer"), pursuant to art. 102 and 106, par. 1, of TUF, up to 35,950,278 ordinary shares of Snaitech S.p.A., listed on the MTA of the Italian Stock Exchange.

The acceptance period for the Mandatory Takeover Offer (the "Acceptance Period") will start at 8:30 am (CEST) on 26 June 2018 and will end at 5:30 pm (CEST) on 23 July 2018.

The consideration, equal to Euro 2.19 per share tendered in the Offer (the "Consideration") will be paid to the tendering shareholders on 30 July 2018 (the "Payment Date").

If certain conditions are met, the Acceptance Period will be reopened for a further five trading days starting from 31 July 2018, being the trading day following the Payment Date and ending on 6 August 2018 (the "Reopening of Terms").

In the event of the Reopening of Terms, the payment of the Consideration for the shares that have been tendered during the Reopening of Terms period will take place on 13 August 2018.

The Offering Document containing the specific terms and conditions of the Offer, as well as the procedures to adhere to it, will be published on Snaitech's website (www.Snaitech.it) and on the website of the Global Information Agent (www.sodali-transactions.com).

Other events occurred after 30 June 2018 are included in the paragraph L.2 "Events after the reporting period".

D.4 Shareholders' Meeting held on April 23, 2018

On 23 April 2018, the ordinary Shareholders' Meeting of Snaitech S.p.A., chaired by Ms Mara Caverni has convened in Milan to review the Consolidated Financial Statements and to approve the annual Financial Statements as of 31 December 2017. Furthermore, the Shareholders' Meeting resolved to allocate the profit for 2017 of Euro 21,731,160.42 as follows:

- Euro 1,086,558.02 to the legal reserve;
- Euro 20,644,602.40 as profits carried forward.

The Shareholder's Meeting has furthermore:

- approved the Remuneration Report under article 123 ter T.U.F. of legislative decree no. 58 of 24 February 1998 (known as "Finance Consolidation Act") and subsequent amendments, in connection to the section pertaining Company policy on remuneration and its implementation procedures;
- confirmed Mr Roberto Maestroni as member of the Board of Directors. Mr Roberto Maestroni was co-opted to replace the resigning Mr Angelo Giovannone. Such member is appointed, as per the other board members, until the approval of Snaitech annual results for the period ending 2018. Mr Roberto Maestroni is not an independent board member.

D.5 Renew/Waive of betting rights

The Budget law for 2018 (L. no. 205 of 27 December 2017 - Budgetary Plan for 2018 and three-year Budget Plan for 2018-2020, as published in the official journal no. 302 on 29 December 2017) on par. 1048 envisages that ADM will tender by September 30, 2018 the concessions at the same conditions already contained in the art. 1, par. 932 of Law no. 208 of 31 December 2015 (Stability Law 2016). On this basis, the existing concessions are extended up to December 31, 2018 against the payment of an annual fee of Euro 6,000 per license per shop and Euro 3,500 per license per corner.

On January 31, 2018, after the operational procedures published by ADM, Snaitech notified ADM of the licences to be renewed and waived. The latter includes 2,514 horseracing licenses, mainly related to corners inactive or with limited business and low profitability. The overall capital expenditure to renew such rights, including those waived, until December 31, 2018 is lower than Euro 10 million.

On April 18, 2018 Snaitech paid Euro 9,879 thousand to ADM to renew such rights until year-end.

D.6 Incorporation of SNAITECH IBERIA S.A.

On January 26, 2018 Snaitech Iberia S.A. was incorporated in Madrid, calle Miguel Angel no.11. The undertaking, with a share capital of Euro 60 thousand, is fully owned by Snaitech S.p.A. and its main business is related to organization and promotion of games.

D.7 Transfer of business units

In the first semester of 2018 conditions precedents were satisfied for those deeds of sales executed in 2017 and related to the following shops: Bologna San Lazzaro, Milano via Rembrandt, di Anzio, di Milano via Novara, di Reggio Emilia via Gramsci, Reggio Emilia via Martiri della Bettola, Fiumicino e Pavia via Vittorio Emanuele.

Furthermore, on March 8, 2018, following the insolvency of the shops owner of Bologna Saffi and Panigale, the relative deed of sale was terminated. Such termination would be effective upon receipts of relevant authorizations and other conditions. Since May 1, 2018, Snai Rete Italia manages , ad interim, the shop located in Bologna, via Panigale.

On Jul 26, 2018 an additional deed of sale was executed in relation to the shop located in Rome, piazza Consoli. The sale is subject to conditions precedent related to the release of public authorisation.

D.8 Reduction of AWP

The additional consolidation measures to the Budget law for 2017 scheduled the timing of reduction of AWP rights, which was introduced by the 2016 Stability Law. Specifically, within December 31, 2017 the number of rights must be lower than 345 thousands; within April 30, 2018 must be lower than 265 thousands.

As of June 15, 2018, following the assessment carried out by ADM and issuance of machines to remove, Snaitech S.p.A. had successfully achieved both reduction stages.

D.9 New classification of horse racing tracks

D.M. 681/2016 set forth a new classification of national horse racing tracks, which identifies tracks as follow: "strategic", "institutional", "commercial" and "promotional".

The Ministry of Agricultural policies, with a proceeding dated January 31, 2018, assigned the following classification to Snaitech horse racing tracks:

- Milan gallop track as strategic;
- Milan trot track as commercial;
- Montecatini Terme trot track as promotional/commercial.

Furthermore, in the same proceeding, the Ministry revoked 11 horse racing tracks, which were not compliant with the minimum standard required by the aforementioned classification.

The new classification would determine for each track, after the implementation decree to be issued yet, different levels of public grants and the relevant number of races and jackpot (with subsequent impact on wagers). Snaitech, along with other management companies, requested for an anticipation of the public grant for 2018.

As soon as the implementation decree will be issued, there is reasonable ground to believe that Milan trot track and Montecatini Terme track would be fairly penalised.

The company appealed before the Regional Administrative Court of Lazio the proceeding and related acts. At the hearing held of May 30, 2018, the Chairman, upon request of the company, allowed additional time to receive additional comments (occurred on 25 June 2018).

ADM with an order dated February 28, 2018 invited all companies to comment on the proceeding. The Company, on March 9, 2018 filed its observations including the request to reclassify Montecatini Terme track, according to its characteristics, as a commercial track and therefore to amend the proceeding of January 31, 2018.

On June 6, 2018 the Ministry of Agricultural policy issued the decree no. 42545, pursuant to the DM no. 681/2016, which amended the reclassification of certain horse racing tracks and confirmed the initial classification into four categories: 1) strategic importance; 2) institutional importance; 3) commercial importance; 4) promotional importance.

Such decree ratifies the importance of Milan gallop track "S.Siro" classified under the strategic category as well as the Milan trot track "La Maurina" classified under commercial category. The Montecatini trot track "Sesana", initially classified under the promotional category, was upgraded to commercial importance similarly to the Montecatini one. A new paragraph (par. 2) was added to art. 1 of decree introducing the non-relevance of such classifications to obtain subsidies (used only to schedule races).

D.10 Approval of the update of Business Plan 2017-2019 including extension to 2020

On March 9, 2018 the Board of directors approved the update of the Business Plan 2017-2019, which now is extended to 2020 and includes the regulatory news introduced in the gambling industry in the last months.

D.11 Investment in Connex S.r.l.

In 2017 the insolvency procedure was closed following the distribution of residual assets. On March 19, 2018 Connex S.r.l. was removed from the Company register.

D.12 Refund of the security deposit related to Gaming Machines for 2017

In March, ADM provided Snaitech with the percentage reached in terms of service levels and needed to compute the amount of security deposit to be refunded. On June 12, 2018, the Company was refunded Euro 35,421 thousand of security deposit.

D.13 Employment lawsuits

It relates to five pending appeals served by Snaitech former advisors, who claimed the recognition of employment relationship (for several years and terminated on September 2016) and the damages suffered as well as any salary integration due (including holidays and employment termination indemnities). Four out of five appealed against the withdrawal of advisory mandate and claimed, under art. 18 of Employees statute, both damages and re-establishment of the work agreement.

One appeal served by a former employee, who claimed that the collective redundancy implemented by the Company to be void and null, was settled on 30 June 2018.

E DIRECTORS' GOING CONCERN ASSESSMENT

In the first semester of 2018, Directors highlight that Group's net profit of Euro 15.4 million, remarkably higher compared to the first semester of 2017 and in line with the forecast of the business.

As per the uncertainties reported in previous years and related to the ability of the Group to repay financial debts at maturity, or to refinance current debts, directors already highlighted, in the Annual Report for 2016, the benefits of the refinancing transaction executed on November 7, 2016, through the issuance of Euro 570 million bonds, with a fixed rate tranche of Euro 320 million (6.375% coupon, maturity 2021) and a floating rate tranche of Euro 250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021): (i) significantly reduction of the financial costs born by Snaitech, with an annual savings (for 2017) of approximately Euro 17 million and (ii) reprofiling the debt maturity from 2018 to November 2021.

As per the risks associated with the renewal of Betting concessions expired on June 30, 2016, the uncertainty for the Group may arise from: (i) non-renewal of licenses with negative impact on lower cash inflows and margins as well as the inability to deal with financial indebtedness (ii) high amount required in the bidding process affecting the sustainability of Group indebtedness.

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders. Furthermore, the number of betting rights tendered (10,000 shops and 5,000 corners) is much higher than the existing points of sales and potentially higher than the theoretical demand. All this should translate into a sustainable financial effort for Snaitech without any negative implication on the sustainability of the Group indebtedness.

The Group is able to fund with its own cash (more than Euro 200 million as of June 30, 2018) the whole expense related to the betting tender renewal, without using the RCF (never undrawn since inception).

On this purpose, it is highlighted that the potential integration with the Playtech group may determine the restructuring of the entire capital structure of Snaitech with the aim to benefit from the better leverage ratio of Playtech group. In this scenario, Directors believe that such integration shall allow Snaitech to improve its financial strength and therefore increase the possibility to successfully reach its target of betting tender.

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

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

F MAIN RISKS AND UNCERTAINTIES OF THE COMPANY AND OTHER UNDERTAKINGS INCLUDED IN THE BASIS OF CONSOLIDATION

F.1 Main risks

Pursuant to the provisions of article 154 *ter* of Decree 58/98, a description of the Group's exposure to risks and uncertainties is provided below. It should be noted how the Group has always paid great attention to prevent any type of risk, which could impair profitability and asset value. On this basis, an Enterprise Risk Management project has been implemented on January 2017 and a Risk Manager has been identified.

Snaitech group operates in the gaming and betting industry, which includes Sports and Horserace betting, AWP's, VLT's and Online games such as Skill games, Casino games and Bingo. The market is regulated by the State through concessions. Therefore, the related risk refers to renewals of the concessions and more generally to the heavy regulation of the sectors where the Group run its business along with complexity and frequent changes of regulatory framework.

Concession and Regulatory-related risks

The Italian betting and gaming sectors are highly regulated by the government and ADM, which establish (i) games to be introduced in Italy and fixes also the costs to be charged on wagers by the operators, (ii) the payout level for the winners, (iii) for specific activities, the level of remuneration for concessioners, including Snaitech S.p.A. (iv) the maximum number of point of sales and whether a concession is assigned to single or multiple operators and (v) the minimum service levels.

The ability of the SNAITECH group to continue to carry out its activities in the gaming sector depends, to a large extent, on the ability to retain the concessions awarded. The 2016 Stability Law envisaged the renewal of the concessions on Betting due in June 2016 with the consequence that the Group would be exposed to: (i) the risk of non-renewal of the concessions with consequent cash inflows losses, decrease of profitability and inability of bear the financial debt, (ii) the financial risk of a high amount to be paid under the tender to renew concessions with consequent inability to bear the financial debt. In order to ensure continuity of the gaming business, ADM with measure dated June 9, 2016 extended the concessions expired on June 30, 2016 until the tender is launched. ADM, with the note R.U. 34580 dated March 28, 2017, requested concessioners to extend, within June 30, 2017, the outstanding guarantees by 12 months in order to cover any events until June 30, 2018 plus an additional year for any recovery activities (June 30, 2019). Snaitech S.p.A. provided the requested extension of guarantees with the terms and conditions set forth by ADM.

The Budget law for 2018 (L. no. 205 of 27 December 2017 - Budgetary Plan for 2018 and three-year Budget Plan for 2018-2020, as published in the official journal no. 302 on 29 December 2017) on par. 1048 envisages that ADM will tender by September 30, 2018 the concessions at the same conditions already contained in the art. 1, paf. 932 of Law no. 208 of 31 December 2015 (Stability Law 2016). On this basis, the existing concessions are extended up to December 31, 2018 against the payment of an annual fee of Euro 6,000 per license per shop and Euro 3,500 per license per corner.

On January 31, 2018, after the operational procedures published by ADM, Snaitech notified ADM of the licences to be renewed and waived. The latter includes 2,514 horse racing licenses, mainly related to corners inactive or with limited business and low profitability.

The non-renewal of the concessions due on June 30, 2016 (at least for the same number of rights currently being extended) could have negative impact on the cash flows from operating activities functional to the indebtedness, on the maintenance of the outstanding credit facilities, as well as on the maintenance of the goodwill recorded in the financial statements.

It is also mentioned here that the betting tender, as enforced by the Stability Law 2018, is subject to the adjustment of regional laws on points of sales, following the agreement reached on September 7, 2017 at the joint-congress between central and local governments. Without such adjustment of regional laws, all concessioners, including Snaitech, may not exercise the rights awarded by the tender, as they may be strongly limited by tight local regulations on minimum distance from sensible places (schools, sports centre, hospitals, etc.).

Exchange rate risk

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

For a further description of financial risks, please see the notes to the financial statements.

Notwithstanding the non-strategic nature of such risk, given the domestic boundaries of the business, Snaitech Group deems fundamental to have a system of well-defined policies, processes and controls to effectively manage the following risks:

Market/Interest rate Risk

Market risk is the risk that changes in interest rates might adversely affect the value of assets and liabilities. A portion of the Snaitech Group's financial debts is exposed to market interest rate fluctuations. Changes in interest rates do not generally impact significantly the fair market value of the indebtedness, although could have significant impact on the Group's results from operating activities, business, financial conditions and prospects.

Credit Risk

Credit risk is the risk of financial loss deriving from a client or counterpart that does not fulfil its contractual obligations. Collecting wagers from betting and gaming activities performed on national point of sales may expose the group to credit risk, since its revenues originate from the concessions released by ADM. This is due to the fact that bankruptcy and losses, incurred by one or more members of the distribution network, or the interruption of relationships with one of the latter for any reason, may negatively impact the Group's result from operating activities, business, financial conditions and prospects.

The management believes that going forward a significant portion of its business and profitability will still rely on ADM concessions and third-parties distribution network. In detail, management believes that any eventual provision on different gaming taxation introduced by the government (as occurred over the last years) could have immediate repercussions on the credit risk since it affects the profitability of the whole value chain.

Liquidity Risk

Liquidity risk is the risk of unavailability of proper sources of funding for the Group business. The Group's ability to renew its existing agreements and to invest in new contractual opportunities depends upon its capacity to access new sources of funding for such investments. To purchase and renew concessions, as well as maintain and invest to rejuvenate technologically the distribution network, typically requires significant cash outflows, and the eventuality of not having enough liquidity at the right moment may negatively impact the Group's result from operating activities, business, financial conditions and prospects. The Group's exposure to such risk was significantly mitigated by the refinancing transaction executed on November 2016 with the issuance of bonds and the subscription of a revolving credit facility, undrawn as of June 30, 2018.

Country Risk

Country risk is the risk that changes in regulations or laws, or in the economy of a country where the Group run its business may have negative impact on expected profitability. The Group currently operates a domestic business and generates all its revenues in Italy.

Risks related to the Snaitech Group's transactions derive mainly from a heavier regulation of the gaming and betting (both retail and online) sectors, restrictions on cash and online transactions and possible political instability. Other economic risks for the Group's business may include inflation, high interest rates, defaults, capital markets and restrictions on direct investments and changes in the interpretation or application of tax laws. Political risks include changes in leadership, changes in government policies, new controls currency circulation within the country, the inability of the government to honour existing agreements, changes in tax law, corruption as well as risk aversion.

Operating Risk

Operating risk is the risk that external events or internal factors may produce losses. The sector where the Group run its business is highly regulated and any failure to comply with the laws and regulations, or changes to them, may negatively impact the Group's result from operating activities, business, financial conditions and prospects. A significant portion of the revenues and results is related to business run under government concession, which has a deadline and may be subject to revocation, thereby negatively affecting the Group's results. Because it operates through government concessions, the Snaitech Group may also be subject to the application of important penalties in the event of ascertained contractual violations. With regard to the Group concessions, certain agreements and various service contracts often require direct or indirect guarantees in order to guarantee the performance of such agreements and may

force the Group to pay indemnities for damages that may arise from contractual breaches. The exposure from guarantees and the compensation for material damages, as well as any eventual penalties, could have negative effects on the Group's result from operating activities, business, financial conditions and prospects. Changes in the law or regulations could reduce the margins applicable to concessioners or reduce the number of concessions available, impacting negatively on the Group performance.

The business related to fixed-odd betting may be characterised, in the short term, by uncertainty over the results due to the volatility of the payout.

The Group operates in a highly technological environment and any problems in protecting the integrity and security of this environment may result in unexpected costs and legal damages that could negatively affect the company's brand and the reputation, which is key to achieve the target results. Based on the recent news on cyber attacks affecting large corporations, directors decided to analyse in deep detail the issue and monitor it, with the support of IT and external advisors.

The horse racing area of Milan presents some asbestos roof tiles, especially in the former trot area. Removal plans have already been implemented according to current laws and supported by relevant analysis and specific monitoring. There has been also some residual land contamination in some of the aforementioned areas and the relative decontamination plans are already being implemented. Such actions have been taken to preserve safety as well as the environment and the corporate image. Finally, bad press on betting business promoted by national or local authorities, media or private organisations may damage the reputation of the Snaitech brand and other Group brands and consequently have a negative effects on the Group's result from operating activities, business, financial conditions and prospects. Analogously, the Group business may be negatively impacted by the illegal gaming and betting.

Risk of customers leaving

A high competitive pressure by new and existing players characterizes the Italian regulated gambling market; in addition, the higher tax burden and management cost faced by customers (PoS) may induce them to reconsider offers from other competitors. Such risks, if not managed properly, may impact the Group wagers and profitability. Also, the relevant technological innovation wave affecting the gaming sector and allowed by regulation (D.M. no. 111 on Online) may cause a loss of market share if not properly addressed by prompt strategic actions.

F.2 Main uncertainties

Legal proceedings

Given the nature of its business, the Group is involved in a series of legal, regulatory and arbitration proceedings, which relates to, among other things, potential assets and liabilities, as well as injunctions asked by third parties and related to regular business activities. The outcomes of these proceedings or similar proceedings cannot be predicted with certainty. Unfavourable conclusions of such proceedings or significant delays in the resolutions could have adverse effects on the Group's business, financial condition and results. For a description of the main legal proceedings and potential liabilities, please see paragraph 28 "Funds for risks and future charges, litigation and potential liabilities" of the Explanatory Notes to the consolidated financial statements.

Relations with the Government

The Group's activities are subject to a broad and complex regulatory framework, which imposes rules on individual suitability for directors, executives, main shareholders and key employees. The Group is of the view that it has developed procedures, which ensure compliance with the regulatory requirements. However, any failure for the Group to comply with or match suitability requirements could lead the regulators to limit the Group's business.

The failure of a company of the Group, or the malfunctioning of any system or machine, in order to obtain or maintain a concession or request an authorisation may have an adverse effect on the Group's ability to obtain or maintain the concessions requested or the approvals. Possible adverse events may have negative impacts on the Group's results of operations, business or prospects. Furthermore, there have been, there are and there may be in the future, different types of audits performed by the authorities on possible wrongful/unlawful acts related to tenders or tender awards. Such verifications are generally conducted secretly, and therefore the Group is not necessarily aware of its involvement. The Group's reputation on integrity is an important factor in relation to the activities run under concessions: any suspicion or prosecution of wrongful or unlawful conduct attributable to the Group or a broad inspection could have material adverse effects on the Group's operating, economic and financial results, and on its capacity to maintain existing concessions and contracts or obtain new contracts or renewals. Moreover, bad press on such proceedings could have material negative effects on the reputation of the Group.

G RELATED PARTY TRANSACTIONS

The Board of Directors elaborates the relation on corporate governance and group structure pursuant to art. 123-bis of TUF, which includes also certain disclosure on related party transactions ("Procedure").

The Procedure was approved by the Board of directors on November 29, 2010 in compliance with the provisions of the Related Party Transactions Regulation issued by Consob through resolution no. 17221 of March 12, 2010, subsequently amended by resolution no. 17389 of June 23, 2010.

On March 27, 2014 and subsequently on April 6, 2017 the Board of directors, with pre-approval by the Related Parties Committee, reviewed the Procedure.

Such revision was performed in compliance with Consob memorandum DEM/10078683 of September 24, 2010, which recommends companies to assess, at least every three years, the opportunity to carry out a revision of the procedure, taking also into account any changes to corporate shareholders occurred in the meanwhile as well as the effectiveness of the procedures in practice. The Procedure, available on the Company website (www.snaitech.it), ensures that transactions with related parties are transparent and carried out in compliance with criteria of procedural and substantial fairness.

Note no. 33 of the Condensed Consolidated Interim Financial Statements reports all the activities of Snaitech S.p.A. with related parties including subsidiaries, affiliated and parent company.

H HUMAN RESOURCES

As of June 30, 2018, the Snaitech Group had 855 employees, reduced by 174 employees from June 30, 2017 and by 7 employees from year-end.

The reduction of 174 employees was owed to the outsourcing of the points of sales directly owned by SNAI Rete Italia S.r.l. along with the downsizing of Snaitech structure, which included the non-renewal of fixed-term contracts and suspension of employee turnover.

The reduction for the semester is still ascribable to the outsourcing process and partially offset the small trend of personnel increase owing to new seasonal contracts (31) needed to cope with horseracing seasons request in Milan and Montecatini (PT).

The table below shows a breakdown by employees grading:

Snaitech Group	30.06.2018	31.12.2017	30.06.2017
Executives	28	27	28
Office workers and middle managers	782	776	950
Blue-collar workers	45	45	51
Total Employees	855 (*)	848 (**)	1,029 (***)

(*) 123 part-time and 23 on maternity leave

(**) 155 part-time and 17 on maternity leave

(***) 227 part-time and 16 on maternity leave

The parent company **Snaitech S.p.A.** adopts several national collective bargaining agreements for its employees: executives employed in the industrial sector; executives employed in the trade and service sector; workers employed in the private metals and mechanical industry and the installation of equipment; workers employed in the service sector.

As a consequence of the merger between Snaitech and Cogemat/Cogetech Group and Società Trenno S.r.l. and with the aim to rationalise and simplify processes, it is now urgent to identify a single national agreement applicable to all employees but Horseracing Division, which shall be governed by their current agreement (given specifics of the segment).

The agreement selected by Snaitech is the trade and service sector one, which shall be extended also to other employees, including those under mechanical industry agreement.

The latter shall be affected by such change of agreement by November 1, 2018 in order to determine the most suitable solutions to safeguard existing benefits and rights.

Teleippica S.r.l. adopts two collective agreements for its employees: executives employed in the manufacturing sectors; private radio and television employees.

SNAI Rete Italia S.r.l. adopts the collective agreement of workers employed in the service sector and complies with additional protocol on staff employed in betting agencies or alternatively with the unions agreement reached on July 20, 2015.

The organisational structure adopted relies on the following documents: code of ethics, organisational model, job descriptions and management procedures.

OCCUPATIONAL SAFETY AND HEALTH (ART. 2428 OF C.C.)

Compliance with Decree 81/08 and subsequent amendments

During the first semester of 2018, the following initiatives were implemented in line with D.lgs. 81/08, with specific focus on the new Horseracing Business Unit, following merger with Società Trenno S.r.l. effective since December 2017.

Training has been providing on the following topics:

- Supervisors
- Information and training pursuant to Decree 81/08
- First aid
- Fire prevention
- Electric shock risk
- Employees representative in relation to health and safety
- Supervisors in Charge of Protection and Prevention
- Use of MEWP
- Use of forklift truck
- Use of self propelled work truck
- Work at height and use of third level PPE

for a total of **1,428** training hours per employee.

In 2018, as a consequence of some organisational changes, new Supervisors in charge of safety were appointed.

New internal health and safety protocols were issued to reflect the new organisational structure and risks.

A third party company was been appointed as Supervisor in Charge of Protection and Prevention; furthermore a leading practitioner was appointed for all Snaitech premises along with relevant local practitioners.

Snai Rete Italia S.r.l. has provided the following training courses on:

- Supervisors
- First aid
- Fire prevention
- Information and training pursuant to Decree 81/08;

for a total of **344** training hours per employee.

Teleippica S.r.l. has provided training on the following topics:

- Information and training pursuant to Decree 81/08
- Employees representative in relation to health and safety

for a total of **40** training hours per employee.

Leading practitioner and local practitioners have also been appointed. The role of Supervisor in Charge of Protection and Prevention is mandated to a third party.

Medical examinations for all the employees of the group are regularly performed.

J TRAINING EX 231, ANTI MONEY LAUNDERING, PRIVACY, OWNERS AND SUPERVISORS OF ARCADES

J.1 Training pursuant to Decree 231/01 and anti-money laundering

In the first six months of 2018, it was planned and scheduled, for all the group undertakings, the training program on the Organisational, Management and Control Model and anti-money laundering provisions set forth by D. Lgs. no. 231/07. (Total of 86.90 training hours per employee for Snaitech S.p.A.).

J.2 Training on privacy

In relation to the new EU regulation 679/2016, in force from May,25 2018, training programs were scheduled for all the group undertakings, either in-class or e-learning, in order to inform on the new provisions, requirement to handle data and assess impacts on the company business and activities.

Top and middle management of Snaitech S.p.A. was already trained while all remaining employees shall be trained in the second half of the year.

A Data protection officer was appointed for Snaitech.

Snaitech S.p.A. has provided **194.5** training hours per employee.

J.3 Training of owners and of persons in charge of points of sales

In 2018, Snaitech Group will implement the training program started in 2017 and aimed to enhance the corporate culture on responsible gambling and related diseases.

Specifically, persons in charge of PoS, shall be involved, during the second half of the year, on training sessions aimed at informing on Italian gambling regulation and providing several tools, which may help identifying and handling pathological gamblers, with specific focus on communication and relationship aspects as well as the relevant social impact of problem gambling.

SNAI Rete Italia S.r.l., pursuant to several regional regulations, continued its training of direct points of sales in full compliance with ADM and Balduzzi decree guidelines as well as regional provisions.

K REGULATORY FRAMEWORK

K.1 Budget Law for 2018 (AKA “Stability Law 2018”)

Law no. 205 of December 27, 2017 was published in the official journal on December 29, 2017 and titled “*Budgetary Plan for 2018 and three-year Budget Plan 2018-2020*”.

It includes several provisions on gambling aimed at regulate concessions by balancing the need to preserve competitive principles with a rightful geographical distribution.

The main provisions included the following:

- Extension of rights related to betting against the payment of Euro 6,000 for each shop and Euro 3,500 for each corner, with the betting tender to be held not later than September 30, 2018;
- Interventions on horse racing betting including the change of taxable income (43% on margin of bets collected on retail network and 47% on margin of online bets), introduction of palinsesto complementare for fixed-odds betting and the review of betting pools;
- Launch of a tender held by the Ministry of Agriculture (MIPAAF) to identify the relevant authority in charge of the whole horse racing sector;
- Request to Regions to review and adjust their regulations on geographical distribution of points of sales, following the agreement reached by Conferenza Unificata last September 7, 2017, in order to held the aforementioned tenders;
- Implementation of ADM proceeding to dematerialize and store gambling receipts;
- Measures to dispose AWP dismissed;
- Creation of a digital register of entities offering gambling products and services to the public, with restricted access plus read-only access to public authorities (UIF, Ministry of internal affairs, Financial police, etc.);
- Postponement to December 31, 2018 to release paper-based licences of old AWP (pending new rules on technical standards of the remote-AWPs).

Snaitech has renewed 2,060 betting rights of which 922 for corners. ADM is working on the tender documents to be submitted for approval of the State Council.

Tax on margin for fixed-odd horseracing bets is effective from January 1, 2018.

K.2 Additional consolidation measures to the Budget law for 2017

Law n. 96 dated June 21, 2017 and titled “*Conversion of the decree n. 50 of April 24, 2017 and subsequent amendments on urgent financial measures, initiatives in favour of local and regional authorities and additional measures on development and areas affected by earthquakes*”. The law was published in the Official Journal on June 23 and came into force on June 24, 2017.

The key measures on gaming are included in the following articles:

- Art. 6 “Provisions on Gaming”. Such article increases PREU (tax rate) up to 19% on AWP’s and 6% on VLTs, increases the tax rate up to 8% on Lotto winnings and up to 12% on those winnings higher than Euro 500 achieved on totalizer number games (Superenalotto and related games), instant lotteries and VLTs as starting from October 1, 2017 (former tax rate set at 6%);
- Art. 6-bis “Reduction of AWP’s”. Such article schedules the timing of reduction by 30% of AWP’s rights, which was introduced by the 2016 Stability Law. Specifically, within December 31, 2017 the number of rights must be lower than 345 thousands; within April 30, 2018 must be lower than 265 thousands.

ADM decree dated July 25, 2017 set the AWP’s reduction at 35% of outstanding machines at December 31, 2016 and provided guidelines of a two-round reduction: within December 31, 2017 and April 30, 2018.

Both reductions were completed and the target of 265,000 machines was achieved.

K.3 Joint-congress of central and local governments (Conferenza Unificata)

The Conferenza Unificata on September 7, 2017 reached an agreement between Central State, Regions and Local Authorities on the main characteristics of points of sales and deferred to the Ministry of Finance the issuance of a decree, by October 31, 2017. To date no decree is issued.

K.4 Piedmont Region case

On November 20, 2017 it came into force the regional law issued by Piedmont on problem gambling prevention. In particular, the proceeding set the removal of AWP’s from those points of sales whose business is substantially different from gambling. With reference to our AWP’s, following the enforcement of such regulation, we forecast that approximately 65% of local machines were affected by the regional regulation.

Such restriction has severe impacts on legal gambling network and may stimulate the rise of illegal gambling.

K.5 Emilia Romagna Region

Following the issuance of the new regional law on problem gambling, several municipalities (Reggio Emilia, Parma, Forlì, Rimini, Sassuolo, Modena, Cesena, etc.) have mapped all sensible public places and identified those points of sales in breach of minimum distance (500 meters) whose gambling activities should be terminated or transferred within 6 months.

The law enforces municipalities, after mapping sensible places, to inform all points of sales in breach of minimum distance (500 meters) of incoming closing proceedings to be issued in the next six months. Those points of sales offering AWP’s and falling within the 500 metres perimeter (from sensible public places) would be instead denied to install new AWP’s as well as to renew existing licenses.

Such restrictions, which include also existing businesses, may severely impact Snaitech points of sales dislocated in the territory and is causing an increased number of legal proceedings.

K.6 Puglia Region

The Regional Law no. 43, dated 13 December 2013 and titled “counteract illegal pathological gambling” was published on 20 December 2013. Art. 7 denies the authorisation to install AWP’s in points of sales in breach of minimum distance (500 meters) from sensible places set forth by the Regional Law. When in compliance with minimum distance, a 5-year authorisation is released and renewal may be required upon request. Current authorisations were given a 5-year deadline from law commencement to receipt new provisions. In particular, any renewal of current authorisations may be released as long as they comply with the law provisions. The relevant expiry is therefore December 2018. It is furthermore prohibited advertising of betting shops and new opening.

K.7 Implementation of IV Directive on Anti-Money Laundering

Decree n. 90 dated May 25, 2017 titled “Implementation of EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing repealing Directive 2005/60/EC and 2006/70/EC and implementation of EU regulation n. 2015/847 on information related to money transfer repealing EC regulation n. 1781/2006”.

The measure, published in the Official Journal on June 19, 2017 came into force on July 4, 2017, includes several provisions on gaming and more specifically on Online games, VLTs, Bingo and any type of bets. The main news are the listed below:

- New betting threshold on customer due diligence: providers and owners of betting shops must proceed with customer identification and verification should the amount of games purchased exceed Euro 2,000. In the event of suspicious of money laundering or terrorist financing, operators are obliged to run due diligence independently from the amount of games purchased.
- New VLT threshold on customer due diligence: providers and owners of point of sales with VLTs should comply with the provisions stated in the decree whenever the nominal amount of ticket exceeds Euro 500. Concessioners must provide both owners and providers with specific tools to monitor tickets exceeding Euro 500 and any other ticket, independent from its notional amount, which embeds zero payout or a very low level.

Pursuant to art. 52, par. 4 of the D.Lgs. no. 231/2007, ADM is about to publish guidelines to prevent money laundering specifically for concessioners.

K.8 AWP's Scrapage Decree

On March 30, 2018, ADM issued Measure no. 38169 – Implementation decree of art. 1, par. 1050 of Stability Law 2018 – to handle scrapping of gaming machines whose authorisation was withdrawn or expired or not equipped with tracking tools.

The ratio of the measure is to ensure traceability of these machines.

The owner shall, within 6 months from the expiry of the authorisation, scrap the machines.

K.9 New classification of horse racing tracks

On February 1, 2018 the Ministry of Agricultural policies issued the implementation decree of the new classification of horse racing tracks envisaged in the D.M. 681/2016. According to the new classification, national horse racing tracks may be identified as follow: 1) “strategic”; 2) “institutional”; 3) “commercial” and 4) “promotional”.

Milan Gallop track was classified as strategic; Milan Trot track was classified as commercial; Montecatini Terme trot track “Sesana”, initially classified as promotional, was then re-classified as commercial similarly to the Milan Trot track. A new paragraph (par. 2) was included in art. 1 of the decree, to specify the non-relevance of such classification to obtain subsidies (used only to schedule races).

The relevant decree of subsidies to classify tracks accordingly has not yet been published.

K.10 Circular letter from the Ministry of Internal Affairs

On March 19, 2018, the Ministry of Internal Affairs – public safety department – released a circular letter on new procedures for police to issue licences. Such circular – with the aim to simply and aggregate administrative regimes (introduced with D. Lgs. no. 126/2016) – imposes police headquarters, when releasing licences, to assess compliance with public safety legislation as well as regional and municipal regulations on minimum distance from sensible places.

In particular, the provision requires that in the event of new licences or renewal, changes of ownerships or new representatives the request shall be submitted along with self-certifications on compliance with minimum distances set by Region or Municipalities, which will assess it at a later stage.

On May 21, 2018, the Ministry provided additional explanations on the scope of application of the Circular letter dated March 19, 2018. In particular, it provides clarifications on the following:

- The Circular, in accordance with the agreement reached at the Conferenza Unificata on September 7, 2017, covers only new requests and is not extended to current requests filed before March 19 and related to changes of ownerships, legal representative or concessioner;
- Computation of minimum distance from sensible places is specific for each regional law. Each regional has indeed rules differently the activities falling under the minimum distance requirement (e.g. VLT arcade only, betting shops, etc.);
- Collection points – duly authorised after legalisation – are excluded as they fall outside the scope of the Circular.

K.11 Decree “Dignità”

The Government has recently approved the D. L. no. 87 dated July 12, 2018 “Urgent provisions for the dignity of workers and companies” (published in the official journal no.161 of 13-07-2018). As of August 2, 2018 the decree is under discussion in the lower chamber of parliament.

In particular, Title III includes “Measures to counteract ludopathy” and art. 9 prohibits any type of advertisement on gambling and introduces the increase of PREU tax on gaming machines to recover any potential reduction resulting from the advertisement ban.

The law includes certain existing provisions to counteract ludopathy and in particular the provisions set forth by D. L. no. 158/2012 (art. 7, par. 4, 5) and Law no. 208/2015 (art. 1, par. 937 to 940).

The provision introduces the ban on gambling advertisement on any media, including sports, cultural or artistic event; wording “diseases from gambling” replaces “ludopathy”.

Existing advertisement contracts as of July 14, 2018 are exempted up to one year of the commencement of the decree, unless the contract expires before. Existing contracts shall be subject in any case to previous regulation.

From January 1, 2019, the provision extends advertisement ban also to sponsorships. Any breach may result in an administrative fine of 20% of the advertisement value and, in any case, not lower than Euro 50,000 per violation.

The Government shall elaborate an overall reform of the gambling industry with the aim to remove any risk related to gambling diseases and counteract illegal gambling.

The authority in charge of sanctioning is the Authority on communication pursuant to law no. 689/1981.

Par. 4 allocates funds collected through sanctions to a special Fund set up by the Ministry of Health with the aim to counteract pathologic gambling (pursuant to the 2016 Stability Law).

PREU is therefore set as follows:

- 19.25% and 6.25% of wagers, from 1 September 2018 to 30 April 2019;
- 19.6% and 6.65% of wagers, from 1 May 2019;
- 19.68% and 6.68% of wagers, from 1 January 2020;
- 19.75% and 6.75% of wagers, from 1 January 2021;
- 19.6% and 6.6% of wagers, from 1 January 2023.



BUSINESS OUTLOOK AND EVENTS AFTER THE REPORTING PERIOD

L.1 Business outlook and updates on Business Plans

On March 9, 2018, Snaitech’s Board of directors approved the update of the Business Plan 2017-2019 by extending the maturity to year 2020, to reflect the new regulations introduced in the past few months affecting the gambling sector: increased tax rates on Gaming Machines, AWP’s reduction by 35% in 2018 and a further postponement by one year of the betting tender.

The strategic goal of the Group is to consolidate its market leadership in the Retail Betting segment and to improve market share in the Online segment.

In line with Business Plan 2017-2019, the guidelines of new Business Plan 2018-2020 still uphold the following drivers:

- Online business development by introducing new products, improving services and strengthening cross-selling activities performed on the retail channel;
- Renewal of betting licences for the retail network as well as technological rejuvenation of the points of sales, by the introduction of new self-service betting terminals;
- Evolution of the VLT platforms currently provided to the distribution network in the Gaming Machines segment as well as a more focused selection of gaming contents and local partners for AWP’s;

The Business Plan 2018-2020 still confirms the ca. 3% annual growth of wagers and the Leverage ratio reduction (Net Financial Position/EBITDA) down to 2.4x by 2019, and furthermore includes a target EBITDA above Euro 160 million in year 2020. The annual average level of capital expenditures (without the renewal of the betting licences) is forecasted in the range of Euro 25 – 30 million.

First half results of 2018 are in line with the Business Plan targets confirm the effectiveness of the key drivers aforementioned.

Finally, the potential integration with Playtech group (following the execution of the offering described under par. D.1) may determine a revision of the guidelines and economic-financial targets of the Business Plan to reflect industrial and financial synergies arising from the new group.

L.2 Events after the reporting period

L.2.1 Ordinary Shareholders' meeting held on 18 July 2018

The Ordinary Shareholders' Meeting of SNAITECH S.p.A. ("SNAITECH" or "Company" or "Issuer"), held on 18 July 2018, appointed a new Board of Directors following the resignations submitted by the former Board members on 5 June 2018 and effective from 18 July 2018.

In particular, the Shareholders' Meeting, after having fixed the number of the members of the new Board of Directors at 7, which will remain in office until the approval of the financial statements as of 31 December 2020, appointed the following Directors: Moran Weizer, Andrew James Smith, Fabio Schiavolin, Andrea Nappa, Raffaella Viscardi, Chiara Palmeri and Mara Vanzetta, all of whom were drawn from the slate of candidate submitted by the majority shareholder Pluto (Italia) S.p.A.

The Meeting also resolved to fix in Euro 280,000 the overall remuneration to be allocated to the Board of Directors members, excluding those members covering specific roles.

The new Board of Directors, which met in a plenary session after the Shareholders' Meeting, appointed Moran Weizer and Fabio Schiavolin respectively as Chairman of the Board of Directors and Managing Director.

In addition, the Board assessed the independence of its Directors: on the basis of the statements provided by them and the information available to the Company, the following Directors fulfilled the requirements of independence pursuant to Art. 147 ter of Legislative Decree 58/98 and the Corporate Governance Code promoted by Borsa Italiana S.p.A.: Andrea Nappa, Chiara Palmieri, Raffaella Viscardi and Mara Vanzetta.

During the Board meeting, the members of the internal committees have been appointed as follows:

- i. Remuneration Committee: Mara Vanzetta (Chairman), Andrea Nappa and Raffaella Viscardi;
- ii. Audit and Risks Committee: Chiara Palmieri (Chairman), Andrea Nappa and Raffaella Viscardi;
- iii. Related Parties Committee: Mara Vanzetta (Chairman), Andrea Nappa and Raffaella Viscardi.

Lastly, the Board of Directors, taking into account the opinions expressed by the Remuneration Committee and the Related Parties Committee, approved the execution of a directorship agreement to be entered into by and between the Company and Mr. Fabio Schiavolin aimed at ensuring managerial continuity having Mr Schiavolin as Managing Director and General Manager of the Company for a minimum period until the approval of the financial statements as of 31 December 2021.

Pursuant to the above agreement, Mr. Schiavolin shall be entitled, for each of the abovementioned offices (Managing Director and General Manager) to a fixed annual remuneration, a variable compensation linked to the Company achievement of EBITDA targets to be set from time to time on the basis of the annual Company budget, an "entry bonus" una tantum to be paid (as a whole) within 6 months of the execution of the related agreements, plus a bonus linked to his remaining in the aforesaid offices until the date of approval of the financial statements as of 31 December 2021 or to the achievement of specific Company performance targets. The directorship agreement contains also some provisions that are standard for such contracts, including cases of early termination of the offices due to good/bad leaver events and the related economic treatments upon the occurrence of such events.

L.2.2 MTO

On 25 July 2018, Pluto (Italia) S.p.A. notified the final results of the Mandatory Tender Offer, which resulted in 21,197,385 shares tendered (equal to 11.25% of the share capital and 58.963% of overall shares tendered) for a total amount of Euro 46,422,273.15.

Since Pluto (Italia) S.p.A. reached a shareholding at least equal to 95% of Snaitech share capital, it exercised the right to purchase any residual share, pursuant to art. 111 of TUF and in compliance with

obligation set forth by art. 108 of TUF, through a single procedure in accordance with Consob and Borsa Italiana (effective from 3 August 2018).

Borsa Italiana, pursuant to art. 2.5.1 par. 6 of Stock Exchange Regulation, suspended trading on Snaitech shares on 1 and 2 August with delisting effective from 3 August 2018.

L.2.3 Offer for early redemption of the notes “6.375% Senior Secured Notes due 2021” and “Senior Secured Floating Rate Notes due 2021” owing to change of control

Following the acquisition executed by Pluto on 5 June 2018 of no. 132,956,595 ordinary shares, equal to 70.561% of the Company share capital, from Global Games and OI Games S.A., and the subsequent change of control of the Company and given current documentation related to non-convertible notes issued by Snaitech “6.375% Senior Secured Notes due 2021” and “Senior Secured Floating Rate Notes due 2021”, it is therefore required to apply the mandatory early redemption offer for a total value of Euro 575.7 million.

The early redemption procedure shall be applied in accordance with the “change of control offer”, where Snaitech will publicly tender exiting notes at a bid price of 101% of the notional amount. Terms and conditions shall be made available on the company website at <http://snaitech.it/it/investitori/prestiti-obbligazionari>.

On this purpose, on August 3, 2018 the Issuer has entered into an intragroup financing agreement with Playtech, which is available to fund Snaitech for any notes tendered under the redemption procedure.

M OTHER INFORMATION

M.1 Other information pursuant to article 2428 of c.c. and article 40 of D. Lgs. no. 127 (2428 of c.c.)

As of June 30, 2018 the subsidiary SNAI Rete Italia S.r.l. owns 70,624 Snaitech shares for a nominal value of Euro 36,724.48.

Neither Snaitech S.p.A. nor other undertakings of the Group have ever granted any loan or guarantees, either directly or indirectly, to purchase or trade shares of Snaitech S.p.A. or its parent company. Snaitech S.p.A. and the Group undertakings are not subject to particular risks related to the fluctuation of exchange rates.

The Snaitech Group manages internally the commercial risks from its customers.

M.2 Option to take advantage of national tax consolidation

The administrative bodies of Snaitech S.p.A., Teleippica S.r.l., SNAI Rete Italia S.r.l. and Snaitech Smart Technologies S.r.l. agreed to benefit from the national tax consolidation.

Approved by the Board of directors and signed on its behalf by:

Fabio Schiavolin
(Chief Executive Officer)

Milan, August 3, 2018



**SNAITECH GROUP
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
AS OF 30 JUNE 2018**

Approved by the Board of Director of Snaitech S.p.A.

Snaitech Group – Consolidated Statement of Comprehensive Income

<i>Figures in thousands/ Euro</i>	Note	I semester 2018	o/w Related Party transaction Note no. 33	o/w non- recurring Note no. 35	I semester 2017	o/w Related Party transaction Note no. 33	o/w non- recurring Note no. 35
Revenues from sales and services	4	441,579			436,066	38	
Other revenues and income	5	2,565	4		1,617	4	867
Change in inventory of finished and semi-finished products		0			0		
Raw materials and consumables	6	(1,185)			(388)		
Cost of services and third party assets	7	(326,232)	(1,155)	(1,311)	(333,441)	(19)	636
Costs of personnel	8	(24,241)	(36)		(26,693)		(63)
Other operating costs	9	(24,008)	(50)		(25,904)	(6)	(1,841)
Capitalised costs	10	321			592		
Earnings before interest, tax, depreciation and amortisation		68,799			51,849		
Amortisation and depreciation	11	(25,432)			(24,900)		
Earnings before interest and taxes		43,367			26,949		
Gains and expenses from shareholdings		(12)			(541)		
Financial income		208			390		
Financial costs		(20,062)			(20,351)		
Total financial income and expenses	12	(19,866)			(20,502)		
Profit /(Loss) before taxes		23,501			6,447		
Income tax	13	(8,116)			(4,413)		
Profit/(Loss) for the period		15,385			2,034		
(Loss)/profit from re-measurement on defined benefit plans after taxes		52			185		
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		52			185		
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes		0			0		
Total profit/(loss) in comprehensive income statement, after taxes	24	52			185		
Comprehensive profit (loss) for the period		15,437			2,219		
<i>Attributable to:</i>							
Profit (loss) for the period pertaining to the Group		15,385			2,034		
Profit (loss) for the period pertaining to Third parties		0			0		
Total profit (loss) for the period pertaining to the Group		15,437			2,219		
Total profit (loss) for the period pertaining to Third Parties		0			0		
Basic earnings (loss) per share in Euro	25	0.08			0.01		
Diluted earnings (loss) per share in Euro	25	0.08			0.01		

Snaitech Group – Consolidated Statement of Comprehensive Income

<i>Figures in thousands/ Euro</i>	Note	Second quarter of (*)	
		2018	2017
Revenues from sales and services	4	218,677	209,795
Other revenues and income	5	1,920	471
Change in inventory of finished and semi-finished products		0	0
Raw materials and consumables	6	(941)	(245)
Cost of services and third party assets	7	(162,913)	(159,607)
Costs of personnel	8	(12,064)	(12,831)
Other operating costs	9	(12,026)	(13,980)
Capitalised costs	10	160	257
Earnings before interest, tax, depreciation and amortisation		32,813	23,860
Amortisation and depreciation	11	(12,686)	(11,134)
Earnings before interest and taxes		20,127	12,726
Gains and expenses from shareholdings		0	(541)
Financial income		47	234
Financial costs		(10,305)	(10,571)
Total financial income and expenses	12	(10,258)	(10,878)
Profit / (Loss) before taxes		9,869	1,848
Income tax	13	(3,542)	(2,048)
Profit/(Loss) for the period		6,327	(200)
(Loss)/profit from re-measurement on defined benefit plans after taxes		38	185
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		38	185
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes		0	0
Total profit/(loss) in comprehensive income statement, after taxes	24	38	185
Comprehensive profit (loss) for the period		6,365	(15)
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		6,327	(200)
Profit (loss) for the period pertaining to Third parties		0	0
Total profit (loss) for the period pertaining to the Group		6,365	(15)
Total profit (loss) for the period pertaining to Third Parties		0	0
Basic earnings (loss) per share in Euro	25	0.03	0.00
Diluted earnings (loss) per share in Euro	25	0.03	0.00

(*) Unaudited

See Note no. 33 for “Related Party transactions”

Snaitech Group – Consolidated Statement of Financial Position

<i>Figures in thousands/Euro</i>	Note	30.06.2018	o/w Related Party transaction Note no. 33	31.12.2017	o/w Related Party transaction Note no. 33
ASSETS					
Non-current assets					
Property, plant and equipment		129,214		132,086	
Assets held under financial leases		210		281	
Total property, plant and equipment	14	129,424		132,367	
Goodwill		310,027		310,027	
Other intangible assets		112,634	10	116,592	
Total intangible assets	15	422,661		426,619	
Investments measured using the equity method		1,465		1,477	
Investments in other companies		443		443	
Total investments	16	1,908		1,920	
Deferred tax assets	17	33,206		39,251	
Non-current trade receivables	19	6,241		8,622	
Other non-financial assets	20	1,232		1,473	
Financial assets	21	3,381		3,386	
Total non-current assets		598,053		613,638	
Current assets					
Inventories	18	670		205	
Trade receivables	19	95,622		113,297	32
Other assets	20	37,205	10	52,965	
Current financial assets	21	17,044		16,970	
Cash and cash equivalents	22	200,860		137,591	
Total current assets		351,401		321,028	
TOTAL ASSETS		949,454		934,666	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity attributable to equity holders of the Parent Company					
Share capital		97,982		97,982	
Reserves		47,659		20,597	
Profit (loss) for the period		15,385		27,010	
Total shareholders' equity attributable to equity holders of the Parent Company		161,026		145,589	
Shareholders' equity attributable to non-controlling interests					
Total shareholders' equity	23	161,026		145,589	
Non-current liabilities					
Employee termination indemnities	26	6,489		6,762	
Non-current financial liabilities	27	561,052		560,244	
Provisions for risks and charges	28	13,110		13,711	
Non-current trade payables and other non-current liabilities	29	3,648		4,023	
Total non-current liabilities		584,299		584,740	
Current liabilities					
Trade payables	30	37,885	527	39,155	32
Other liabilities	29	160,171	8	159,036	23
Current financial liabilities		5,589		5,667	
Current portion of long-term loans		484		479	
Total current financial liabilities	27	6,073		6,146	
Total current liabilities		204,129		204,337	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		949,454		934,666	

Snaitech Group – Consolidated Statement of Changes in shareholders' Equity

Figures in thousands/Euro

	Note	Share capital	Legal Reserve	Share premium reserve	Reserve for the remeasurement of employee termination indemnities (IAS 19)	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Shareholders' equity attributable to equity holders of the Parent Company	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as of 31.12.2016		97,982	0	56,950	(1,027)	(111)	(18,330)	(16,954)	118,510	0	118,510
Loss for the year 2016							(16,954)	16,954	0		0
Profit/ (Loss) for the period								2,034	2,234		2,034
Other comprehensive income/(loss)	24				185	0	0		185		185
Total comprehensive income/(loss) as of 30.06.2017		0	0	0	185	0	0	2,034	2,219	0	2,234
Balance as of 30.06.2017		97,982	0	56,950	(842)	(111)	(35,284)	2,034	120,729	0	120,729
	Note	Share capital	Legal Reserve	Share premium reserve	Reserve for the remeasurement of employee termination indemnities (IAS 19)	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Shareholders' equity attributable to equity holders of the Parent Company	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as of 31.12.2017		97,982	0	56,950	(958)	(111)	(35,284)	27,010	145,589	0	145,589
Profit for the year 2017	23		1,087	0			25,923	(27,010)	0		0
Profit / (Loss) for the period								15,385	15,385		15,385
Other comprehensive profit/(loss)	24				52		0		52		52
Total Profit/(Loss) as of 30.06.2018		0	0	0	52	0	0	15,385	15,437		15,437
Balance as of 30.06.2018		97,982	1,087	56,950	(906)	(111)	(9,361)	15,385	161,026	0	161,026

Snaitech Group – Consolidated Cash Flow Statement

	Note	30.06.2018	o/w Related Party Note n. 33	30.06.2017	o/w Related Party Note n. 33
<i>Figures in thousands/Euro</i>					
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit (loss) for the period attributable to equity holders of the Parent Company		15,385		2,034	
Financial expenses	12	20,062		20,351	
Amortisation and depreciation	11	25,432		24,900	
Net change in deferred tax assets and liabilities	17	6,029		3,876	
Change in provision for risks and charges	28	(601)		(12,432)	
(Gains)/loss on disposal of non-current assets		(20)		(349)	
Share of profit/(losses) of associates measured using the equity method	12	12		541	
Net change in employee termination indemnities	26	(205)		(535)	
Net change in non-current trade receivables and payables on other changes	19-20-29-30	2,247		(3,053)	
Net change in current trade receivables and payables and other changes	18-19-20 29-30	32,297	502	45,495	264
Cash and cash equivalents generated by operations		100,638		80,828	
Taxes paid		0		(916)	
Interest paid		(17,802)		(17,807)	
CASH FLOW FROM OPERATING ACTIVITIES (A)		82,836		62,105	
B. CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment	14	(5,677)		(6,318)	
Investments in intangible assets	15	(12,427)	(10)	(3,755)	
Acquisition of business units		0		(240)	
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		131		353	
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(17,973)		(9,960)	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Change in financial receivables and other financial assets	21	(69)		(149)	
Change in financial liabilities	27	(1,286)		(1,719)	
Proceeds from bank loans	27	0		1,450	
Repayment of bank loans	27	(239)		(39)	
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		(1,594)		(457)	
D. ASSETS/ASSETS HELD FOR SALE (D)					
E. TOTAL CASH FLOW (A+B+C+D)		63,269		51,688	
F. INITIAL CASH AND CASH EQUIVALENTS		137,591		82,337	
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY					
H. FINAL CASH AND CASH EQUIVALENTS(E+F+G)	22	200,860		134,025	

1 RELEVANT ACCOUNTING STANDARDS**Basis of consolidation**

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

The consolidated financial statements of the Snaitech Group as of June 30, 2018 incorporate the financial statements of the Snaitech S.p.A. and the following undertakings controlled by the Company (its subsidiaries), consolidated on a line-by-line basis:

- Teleippica S.r.l.;
- SNAI Rete Italia S.r.l.;
- Snaitech Smart Technologies S.r.l.;
- SNAITECH IBERIA S.A.;
- IziLove Foundation.

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

- On January 26, 2018 Snaitech Iberia S.A. was incorporated in Madrid, calle Miguel Angel no.11. The undertaking, with a share capital of Euro 60,000, is fully owned by Snaitech S.p.A. and its main business is related to organization and promotion of games;
- On March 19, 2018 the affiliated undertaking Connex S.r.l. was removed from the Company register. In 2017, the insolvency procedure was closed following the distribution of residual assets.

The basis of consolidation changed, with respect to June 30, 2017, in so far as:

- The Shareholders’ meeting of Hippogroup Roma Capannelle S.p.A. held on July 10, 2017 resolved the followings: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows “Hippogroup Roma Capannele S.r.l.”. Following the bond conversion, Snaitech S.p.A. owns a share of 15.20% equal to Euro 262 thousand of the share capital of Hippogroup Roma Capannele S.r.l.. As a consequence of the reduction of its share down to 15.20% from 27.78%, Snaitech has no longer a relevant shareholder position and therefore it applied, according to accounting standards, the fair value method rather the equity method. Thereafter, the undertaking Lexorfin S.r.l. was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech S.p.A. has a share of Euro 275 thousand equal to 15.46%. The participation was moved from item participation in affiliates to other financial participations.
- On July 31, 2017 Snaitech sold its participation in its associated undertaking Solar s.a., previously measured with the equity method.
- On November 20, 2017 it was executed the deed of merger by incorporation of the undertaking, directly owned, Società Trenno S.r.l. into Snaitech S.p.A., following the resolutions taken by relevant shareholders’ meeting on February 7, 2017. The deed of merger was executed with legal effects starting from December 1, 2017 and backdated accounting and fiscal effects to January 1, 2017. Snaitech did not amend neither its own share capital due to the merger nor its corporate bylaws. The merger did not impact on the consolidated financial statement of Snaitech S.p.A. since the absorbed company was already consolidated on a line-by-line basis;
- On December 1, 2017, Snaitech Smart Technologies S.r.l., was incorporated in Milan with registered office in Piazza della Repubblica no. 32. Snaitech S.p.A. wholly owns the undertaking with a share capital of Euro 10 thousand. The first fiscal year of company will end on December 31, 2018.

The interim financial statements of the undertakings included in consolidation are duly reclassified and adjusted in accordance with IFRSs adopted by the parent Company (reporting package) and the related administrative bodies have approved them.

The Condensed Consolidated Interim Financial Statement as of June 30, 2018 was approved by the Board of directors of the parent Company on August 3, 2018 and then authorized for publication in accordance with law.

The Condensed Consolidated Interim Financial Statement as of June 30, 2018 is subject to limited audit while data for the second quarter of 2018 are unaudited.

Seasonality

The business is not subject to significant fluctuations, although it should be noted that the number of Sports Betting events, above all football matches, is higher in the first and fourth quarters than in other quarters of the year. The Gaming Machines also report higher wagers in the first and fourth quarters of the year.

1.1 Directors' going concern assessments

In the first semester of 2018, Directors highlight that Group's net profit of Euro 15.4 million, remarkably higher compared to the first semester of 2017 and in line with the forecast of the business.

As per the uncertainties reported in previous years and related to the ability of the Group to repay financial debts at maturity, or to refinance current debts, directors already highlighted, in the Annual Report for 2016, the benefits of the refinancing transaction executed on November 7, 2016, through the issuance of Euro 570 million bonds, with a fixed rate tranche of Euro 320 million (6.375% coupon, maturity 2021) and a floating rate tranche of Euro 250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021): (i) significantly reduction of the financial costs born by Snaitech, with an annual savings (for 2017) of approximately Euro 17 million and (ii) reprofiling the debt maturity from 2018 to November 2021.

As per the risks associated with the renewal of Betting concessions expired on June 30, 2016, the uncertainty for the Group may arise from: (i) non-renewal of licenses with negative impact on lower cash inflows and margins as well as the inability to deal with financial indebtedness (ii) high amount required in the bidding process affecting the sustainability of Group indebtedness.

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders. Furthermore, the number of betting rights tendered (10,000 shops and 5,000 corners) is much higher than the existing points of sales and potentially higher than the theoretical demand. All this should translate into a sustainable financial effort for Snaitech without any negative implication on the sustainability of the Group indebtedness.

The Group is able to fund with its own cash (more than Euro 200 million as of June 30, 2018) the whole expenditure related to the betting tender renewal, without using the RCF (never undrawn).

On this purpose, it is highlighted that the potential integration with the Playtech group may determine the restructuring of the entire capital structure of Snaitech with the aim to benefit from the better leverage ratio of Playtech group. In this scenario, Directors believe that such integration shall allow Snaitech to improve its financial strength and therefore increase the possibility to successfully reach its target of betting tender.

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

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

1.2 Accounting standards**General principles**

The Condensed Consolidated Interim Financial Statements as of June 30, 2018 were prepared in accordance with IAS 34 "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements do not disclose all information required for the annual consolidated financial statements. For this reason the Condensed Consolidated Interim Financial Statements should be read together with the consolidated financial statements as of December 31, 2017.

The drafting, measurement and consolidation criteria, as well as the accounting standards used in the preparation of these condensed and interim consolidated financial statements are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2017, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, as described below. The adoption of these amendments and interpretations had no significant impact upon the Group's financial position and economic performance.

IFRS refers to the revised international financial reporting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC) adopted by the European Union.

The Condensed Consolidated Interim Financial Statements of the Snaitech Group as of June 30, 2018, are presented in thousands of Euro, except where otherwise indicated.

The international accounting standards were consistently applied by all the undertakings of the Group.

New and revised standards and interpretations effective from January 1, 2018

As required by IAS 8, it is disclosed hereinafter the IFRS effective from January 1, 2018 applied by the Group:

- In May 2014, IASB issued the IFRS 15 “Revenues from agreements with the customers” (hereinafter IFRS 15). The new standard is effective for accounting periods commencing on or after January 1, 2018 and is applicable retrospectively. This standard intends to improve disclosures on revenues and their comparability among the different financial statements. In particular, IFRS 15 provides that the recognition of revenues should be based on the following five steps:
 - Identification of the agreement with the customer;
 - Identification of the contractual obligations;
 - Determination of the transaction price;
 - Allocation of the transaction price to the performance obligations identified on the basis of the stand alone sales price of each good or service;
 - Identification of the revenue when the related performance obligation is met or clients acquire their good and/or services.The Group ascertained no significant impacts on results, net equity and key performance indicators arising from the implementation of the new standard.

- On July 24, 2014, IASB finalised the revision of this accounting standard regarding financial instruments and issued the complete version of IFRS 9 “Financial instruments”. More specifically, the new IFRS 9: (i) changes classification and measurement of financial assets; (ii) introduce a new method for financial assets impairment, which takes into account the expected credit losses; (iii) change guidance on hedge accounting. The IFRS 9 shall be effective for accounting periods commencing on or after January 1, 2018. Early application is allowed.
The Group ascertained no significant impacts on results, net equity and key performance indicators arising from the implementation of the new standard.

The adjustments of the accounting standards effective in 2018 had no impact on the condensed consolidated interim financial statements as of June 30, 2018.

New and revised standards and interpretations effective after 2018

New standards and interpretations transposed by the EU

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

The format of the financial statements adopted by the Snaitech Group for the period ended on June 30, 2018 did not change with respect to those adopted as of December 31, 2017 with the exception of the item “other provisions”, which was reclassified as follow: Euro 644 thousand in the first half of 2017 under the item “Other ordinary expense” of which Euro 595 thousand pertaining to the second quarter of 2017.

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

Format of the financial statements

The format adopted by the Group is the following:

- Consolidated Statement of Financial Position
The statement of financial position is based on the distinction between current and non-current assets and current and non-current liabilities.
- Consolidated Statement of Comprehensive Income
The condensed consolidated statement of comprehensive income presents different types of items, as this is considered the most detailed statement.
- Consolidated Statement of Changes in Shareholders' Equity
The Statement of changes in shareholders' equity shows the net results for the period and the effects of changes, on each item, to accounting standards as well as amendments as required by IAS 8. In addition, it shows the balance of retained earnings and losses at the beginning of the period, the movements during the period and at the end of the period.
- Consolidated Cash Flow Statement
The cash flow statement presents the cash flows of the period resulting from operating, investing and financing activities. The cash flows from operating activities of the period are presented using the indirect method, whereby the net result for the year, or the period, is adjusted for the effects of operations of non-monetary nature, for any deferral of accrual of previous or future operating cash collections or payments, and for elements of revenues, or costs, related to cash flows deriving from investing or financing activities.

2 CONCESSION AGREEMENTS

Snaitech Group run its business in the gambling market, which includes Sports and Horserace Betting, AWP's and VLTs, as well as Skill Games, Bingo and Casino Games. The government through concession agreements regulates the entire gambling market.

Snaitech Group owns the following concessions:

Owner	Quantity	Subject	Maturity
Snaitech S.p.A.	1 Concession	Implementation and management of gaming machines network (in accordance with Art. 110 (6) of TULPS as per RD no. 773 of June 18, 1931 and following amendments and supplements) as well as any related activities	March 2022
Snaitech S.p.A.	1 Concession Code 4311	Horserace gambling collected through distribution network (shops and corners)	June 2016
Snaitech S.p.A.	1 Concession Code 4028	Gambling on public gaming other than horse races collected through distribution networks (shops and corners)	June 2016
Snaitech S.p.A.	1 Concession Code 4801	Horserace gambling collected through distribution network (shops and corners)	June 2016
Snaitech S.p.A.	1 Concession Code 15215	Online gambling on the following games: a) Sports Betting; b) Horserace Betting; c) Horserace and Sports betting pools; d) National horserace totalisator game; e) Skill games, including tournament-type games; f) Bingo.	December 2022
Snaitech S.p.A.	1 Concession Code 4501	Gambling on horseraces and sports events as per Art. 10, par. 9-octies, of the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012.	June 2016

As regards the aforesaid concessions on gambling expired in June 2016, the 2016 Stability Law set out the renewal as per the following procedures described in par. 932.

Paragraph 932 sets out that on May 1, it should start the tender procedure for Sports and Horserace Betting nine-year concessions (expired on June 30, 2016 and extended until the execution of the new concession agreements) for 15,000 rights divided as follows:

- 10,000 shops (minimum price of Euro 32,000);
- 5,000 corners, of which 1,000 for shops selling food and drinks (minimum price of Euro 18,000).

Since the tender to renew the betting concessions was not called, ADM (with the aim to preserve business continuity in the higher interest of public order, taxation and occupation) allowed concessioners to continue

their Betting business until the launch of the new tender, as long as they provided formal commitment to bid along with the relevant guarantees (or by extending the existing ones), which cover any existing or future obligations arising until June 30, 2017 plus an extra year (up to June 30, 2018).

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

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

Art. 1, par. 1048 of Law no. 205 of December 27, 2017 envisages the extension of betting licences to December 31, 2018 against the payment of a fee and has mandated ADM to tender, within September 30, 2018 the new betting rights.

On January 19 and 24, 2018, ADM has subsequently informed concessioners of the implementation measures of rights extension and set the deadline on January 31, 2018, in order to receive notices from concessioners. The Company has notified, for each concession, the number of rights to renew paid the corresponding amounts.

3 OPERATING SEGMENTS

Reporting is presented by “operating segment”. The definition of the sectors is based on the Group organisational structure and the internal reporting system. Intra-segment transfers are carried at market conditions. A description of the operating segments where the Group operates is reported hereinafter:

- **Gaming Machines:** activities performed under concession and related to the management of gaming machines network (AWP and VLT) in addition to a share of the revenue pertaining to the points of sales directly owned;
- **Retail Betting:** activities performed under concession and related to the acceptance of bets on sports, horse racing and virtual events, collected on retail network, in addition to a share of the revenue pertaining to the points of sales directly owned;
- **Online:** activities performed under concession and related to the offerings of skill games, bingo and casino games as well as bets acceptance on sports, horse racing and VE collected on online channel;
- **Horse racing track management:** includes operations related to the management of the racetracks, including real estate management and organization of races;
- **Other:**
 1. Activities related to television/radio services run by the Teleippica S.r.l. (Broadcasting);
 2. Activities related to e-services provided to betting PoS and other commercial services provided;
 3. Other residual activities performed by Snaitech Smart Technologies S.r.l..

The total value of assets and liabilities for each segment is not subject to disclosure since these figures are not periodically reviewed by the CODM (Chief Operating Decision Maker). The following table present for each segment its contribution to the consolidated figures. The Contribution Margin by segment includes items directly accounted as well as items accounted through allocation process. More specifically, segments results include appropriate revenue, related distribution costs (including any payment to the providers of gaming platforms) and the concession fees.

Retail Betting and Online segments include all bets, both fixed-odd (where the concessioner is the bookmaker) and totalisator bets (where the totalizer is the Ministry of Finance), accepted in the PoS (Point of Sales) and on the web site www.snaitech.it, run under concession by Snaitech. Risk related to fixed-odd bets is borne by the concessioner, since the latter pays winnings and taxes, while in the case of totalisator bets, there is no payout risk for the concessioner, since winnings are set as a percentage of the wagers.

First semester of 2018

Figures in thousand/Euro	Gaming Machines		Retail Betting		Online		Horse racing track management		Other		ICE (Intercompany elimination)		Consolidated	
	1H2018	1H2017	1H2018	1H2017	1H2018	1H2017	1H2018	1H2017	1H2018	1H2017	1H2018	1H2017	1H2018	1H2017
Total revenues (A)	305,410	320,418	87,981	79,480	38,113	28,959	4,014	4,549	12,441	10,979	(3,815)	(6,702)	444,144	437,683
Costs (B)	(246,938)	(261,234)	(46,952)	(48,228)	(10,378)	(8,224)	0	(42)	(894)	(954)	2,083	4,582	(303,079)	(314,100)
Contribution margin (C) = (A+ B)	58,472	59,184	41,029	31,252	27,735	20,735	4,014	4,507	11,547	10,025	(1,732)	(2,120)	141,065	123,583
Other costs (D)											1,732	2,138	(72,266)	(71,734)
Earning before interest income and costs, taxes, depreciation and amortization (E) = (C + D)											0	18	68,799	51,849
Amortization													(25,432)	(24,900)
Other depreciation													0	0
Financial income/costs													(19,866)	(20,502)
Taxes													(8,116)	(4,413)
Profit / (Loss) for the period													15,385	2,034

Second quarter of 2018 (*)

Figures in thousand/Euro	Gaming Machines		Retail Betting		Online		Horse racing track management		Other		ICE (Intercompany elimination)		Consolidated	
	2Q2018 *	2Q2017 *	2Q2018*	2Q2017*	2Q2018*	2Q2017*	2Q2018*	2Q2017*	2Q2018*	2Q2017*	2Q2018*	2Q2017*	2Q2018 *	2Q2017 *
Total revenues (A)	151,933	150,499	42,985	40,484	18,410	14,360	2,279	2,561	6,947	5,349	(1,957)	(2,987)	220,597	210,266
Costs (B)	(123,009)	(122,531)	(22,887)	(23,410)	(5,124)	(3,998)	0	(29)	(447)	(446)	994	1,910	(150,473)	(148,504)
Contribution margin (C) = (A+ B)	28,924	27,968	20,098	17,074	13,286	10,362	2,279	2,532	6,500	4,903	(963)	(1,077)	70,124	61,762
Other costs (D)											963	1,086	(37,311)	(37,902)
Earning before interest income and costs, taxes, depreciation and amortization (E) = (C + D)											0	9	32,813	23,860
Amortization													(12,686)	(11,134)
Other depreciation													0	0
Financial income/costs													(10,258)	(10,878)
Taxes													(3,542)	(2,048)
Profit / (Loss) for the period													6,327	(200)

* Unaudited

In the first semester of 2018, the following should be noted:

- The reduction of the Contribution Margin of the Gaming Machines segment, owing to the wagers decrease, with subsequent lower revenues partially mitigated by lower costs of the value chain (distribution costs), as well as the PREU tax rate increase and the payout reduction for VLTs;
- Betting Retail segment recorded an increase in margins, owing to a lower sports betting payout, despite the lower wagers from Sports and Horserace betting;
- Contribution Margin of the Online segment owing to increase of wagers from all games business and better sports payout;

The aforementioned effects along with a reduction in amortisations/depreciations and financial charges positively impacted earnings before taxes, other financial income and expenses, amortisations and depreciations.

NOTES ON MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Figures are presented in thousands of Euro, except where otherwise indicated, and are compared to June 30, 2017 figures.

4 REVENUES FROM SALES AND SERVICES

The amount of revenues from sales of goods and services in the first six months of 2018 is equal to Euro 441,579 thousand (Euro 436,066 thousand in the first semester of 2017) and is detailed below:

II quarter (*)			<i>Figures in thousand/Euro</i>	I semester		
2018	2017	Change		2018	2017	Change
151,320	149,838	1,482	Revenues from Gaming Machines	304,288	318,619	(14,331)
			Net revenues from fixed-odds Sports and Horserace betting	80,467	62,260	18,207
39,384	33,637	5,747				
9,186	8,347	839	Revenues from Virtual Events	18,755	18,057	698
7,823	6,066	1,757	Net revenues from Online games (Skill, Casino and Bingo)	16,282	13,022	3,260
			Revenues from Horserace totalisator, national totalisator and other bets	6,434	7,862	(1,428)
3,088	3,694	(606)				
852	880	(28)	Revenues from services provided on bets collection	1,674	1,878	(204)
737	689	48	Revenues from services provided on Virtual Events	1,487	1,494	(7)
2,534	2,595	(61)	Revenues from television services and related services	4,928	5,011	(83)
			Revenues from operation of betting services at racecourses	2,322	2,378	(56)
1,285	1,281	4				
690	890	(200)	Revenues from servicing and assistance agreements	1,402	1,799	(397)
333	357	(24)	Management of racecourse and real estate properties	636	665	(29)
416	474	(58)	Commissions income	870	958	(88)
1,029	1,047	(18)	Other sales and services provided to third parties	2,034	2,063	(29)
218,677	209,795	8,882	Total	441,579	436,066	5,513

(*) Unaudited

Revenues from Gaming Machines in the first six months of 2018 totalled Euro 304,288 thousand: the decrease, compared to the first semester of 2017, is mainly due to the combined effect of lower wagers and PREU tax rate increase as of April 2017.

A break down of the item "Revenues from Gaming Machines" is provided in the following table:

II quarter (*)			I semester	
2018	2017	<i>Figures in thousand/Euro</i>	2018	2017
1,756,754	1,749,911	Gaming Machines	3,543,606	3,577,287
(1,383,071)	(1,383,380)	Winnings and reimbursements	(2,791,748)	(2,830,026)
(222,363)	(216,693)	PREU	(447,570)	(428,642)
151,320	149,838	Total revenues from Gaming Machines	304,288	318,619

(*) Unaudited

Revenues from Gaming Machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms. Such costs are shown on item "Costs for services and use of third party assets" in Note no. 7. Concessioners are required to pay a security deposit to ADM equal to 0.50% of the wagers played on each gaming machine with the aim to grant a pre-established service levels.

The Statement of Financial Position discloses this receivable in the item “Security deposit related to Gaming Machines” by an amount equal to Euro 17,718 thousand related to the first semester of 2018 (see Note 20). The Security deposit is refunded to the concessioners each year once it has been verified the achievement of the minimum service levels. In March, ADM provided Snaitech with the percentage reached in terms of service levels. Such percentage is needed to assess the amount of 2017 security deposit to be refunded. On June 12, 2018 the Company was refunded with the Security Deposit for Euro 35,421 thousand.

The item “Net revenue from fixed-odds Sports and Horserace betting” is equal to Euro 80,467 thousand and the following table shows a breakdown by winnings, reimbursements and taxation.

II quarter (*)		Figures in thousand/Euro	I semester	
2018	2017		2018	2017
314,821	278,729	Sports Betting	606,616	570,599
(302)	(321)	Reimbursements	(1,507)	(574)
(267,405)	(237,362)	Winnings	(508,277)	(494,150)
(9,497)	(8,018)	Flat-rate tax	(19,495)	(14,967)
37,617	33,028	Net revenues from Sports Betting	77,337	60,908
17,759	13,957	Horse racing Betting	31,697	24,517
(117)	(70)	Reimbursements	(188)	(143)
(14,503)	(11,560)	Winnings	(25,950)	(19,994)
(452)	(565)	Flat-rate tax	(801)	(996)
(920)	(1,153)	Taxation	(1,628)	(2,032)
1,767	609	Net revenues from Horserace Betting	3,130	1,352
39,384	33,637	Total Net Revenues from Sports and Horserace Betting	80,467	62,260

(*) Unaudited

Net revenues from Sports betting increased compared to the first semester of last year, owing to a lower payout. In the first semester of 2018, the payout on Sports betting, including bonuses, settled approximately at 84% compared to 86.7% of the same semester last year.

Revenues from Virtual Events are equal to Euro 18,755 thousand in the first semester of 2018 and are broken down as follows:

II quarter (*)		Figures in thousand/Euro	I semester	
2018	2017		2018	2017
69,238	63,540	Virtual Events	144,820	138,659
(57,721)	(53,068)	Winnings and reimbursements	(121,307)	(115,985)
(2,331)	(2,125)	Flat-rate tax	(4,758)	(4,617)
9,186	8,347	Total net revenues from Virtual Events	18,755	18,057

(*) Unaudited

The increased revenues from Virtual Events are due to higher wagers.

Revenues from Online are equal to Euro 16,282 thousand in the first semester of 2018 and are broken down as follows:

II quarter (*)		Figures in thousand/Euro	I semester	
2018	2017		2018	2017
339,132	267,523	Online games	673,643	552,429
(328,919)	(259,581)	Winnings	(652,485)	(535,542)
(2,390)	(1,876)	Flat-rate tax	(4,876)	(3,865)
7,823	6,066	Net revenues from Online Games	16,282	13,022

(*) Unaudited

The increase in revenues from Online is due to the increased wagers for the period.

The item “Revenues from television services and related services” mainly includes revenues arising from the agreement between the subsidiary Teleippica S.r.l. and MIPAAF concerning the television broadcasting of horse races at the points of sales.

In addition, the item “Other services and sales provided to third parties” mainly includes: net revenues from mobiles top-ups of Euro 712 thousand; net revenues from brand of Euro 202 thousand; net revenues from numerical games totalizer of Euro 177 thousand; net revenues from events and sponsorships of Euro 51 thousand; revenues related to payment services of Euro 50 thousand.

5 OTHER REVENUES AND INCOME

“Other Revenues and Income” item totalled Euro 2,565 thousand in the first half of 2018 (versus Euro 1,617 thousand in the same semester last year). The table below shows a breakdown of the item:

II quarter (*)			Figures in thousand/Euro	I semester		
2018	2017	Change		2018	2017	Change
1,510	25	1,485	Revenues from arrangement and sale of technology	1,696	26	1,670
85	62	23	Income from lawsuits	176	389	(213)
9	87	(78)	Gain on disposal of assets	98	573	(475)
27	33	(6)	Rental income and chargeback of ancillary expenses	65	67	(2)
20	11	9	Compensatory damages	30	30	0
8	14	(6)	Grants from UNIRE investments fund	17	27	(10)
261	239	22	Other revenues and income	483	505	(22)
1,920	471	1,449	Total	2,565	1,617	948

(*) Unaudited

The increase of Euro 948 thousand is mainly ascribable to the revenues from arrangement and sale of technology.

6 RAW MATERIALS AND CONSUMABLES

The cost of raw materials and consumables were Euro 1,185 thousand in the first half of 2018 (versus Euro 388 thousand in the first half of 2017) and related mainly to materials used to collect wagers and technological support and furnishing installed on points of sales.

7 COST OF SERVICES AND THIRD PARTY ASSETS

Cost of services and third party services totalled Euro 326,232 thousand in the first half of 2018 (Euro 333,441 thousand in the first half of last year) and are broken down as follows:

II quarter (*)				I semester		
2018	2017	Change	Figures in thousand/Euro	2018	2017	Change
117,462	116,885	577	Services related to Gaming Machines	235,759	249,553	(13,794)
16,561	16,860	(299)	Bets acceptance	34,070	34,167	(97)
4,819	3,713	1,106	Services related to Online Games	9,766	6,532	3,234
4,337	3,672	665	Costs associated with Virtual Events	8,848	7,889	959
2,165	2,041	124	Television and radio services	4,288	4,085	203
392	364	28	Horse Racing track management	658	585	73
268	287	(19)	Paymat services	527	612	(85)
2,709	2,103	606	Advertising and promotion	5,296	4,569	727
2,364	2,424	(60)	Equipment repair and maintenance	4,746	4,614	132
2,847	1,909	938	Advisory costs and reimbursements	4,182	3,024	1,158
1,713	2,210	(497)	Utilities and telephone bills	3,678	3,940	(262)
1,435	1,461	(26)	Insurance and guarantees	2,772	2,860	(88)
1,026	869	157	Information to produce posters with odds	1,930	1,443	487
773	1,060	(287)	Rental fees and ancillary charges	1,570	2,175	(605)
717	539	178	Third party providers (bet-related information and others)	1,367	1,052	315
678	536	142	Installations, logistics and design	1,293	1,025	268
574	517	57	Banking costs	1,164	1,068	96
423	657	(234)	Operating leases and other leasing	826	1,262	(436)
91	88	3	Rent of stations	181	175	6
35	44	(9)	Partnerships, collaboration and others	67	87	(20)
22	20	2	Market research	52	50	2
261	255	6	Compensation of directors	507	527	(20)
35	44	(9)	Compensation of statutory auditors	69	93	(24)
29	42	(13)	Compensation for Supervisory Body and other committees	58	88	(30)
1,177	1,007	170	Others	2,558	1,966	592
162,913	159,607	3,306	Total	326,232	333,441	(7,209)

(*) Unaudited

In particular, the table shows:

- Costs of services related to Gaming Machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms (totalling Euro 235,759 thousand compared to Euro 249,553 thousand in the first half of 2017). The decrease of Euro 13,794 thousand is mainly due to the reduction of wagers, the increase of PREU tax rate and the subsequent allocation of a lower net cash box to the different stakeholders of the Gaming Machines value-chain;
- Costs related to sports and horserace bets acceptance from points of sales totalled Euro 34,070 thousand (versus Euro 34,167 thousand in the first semester last year);
- Costs of services related to Online games (online bets, skill and casino games, bingo), including remuneration of retailer, cost of the platform and promotional expensed totalled Euro 9,766 thousand (versus Euro 6,532 thousand in the first half of 2017).
- Costs associated with Virtual Events management, including remuneration of operator and cost of the platform, totalled Euro 8,848 thousand (compared to Euro 7,889 thousand in the first semester of 2017).

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

8 COSTS OF PERSONNEL

Costs of personnel in the first semester of 2018 totalled Euro 24,241 thousand compared with Euro 26,693 thousand in the first semester last year, with a decrease of Euro 2,452 thousand due primarily to: (i) the sale of business units, in the context outsourcing points of sales directly owned by SNAI Rete Italia S.r.l.; (ii) benefits arising from the reduction of operating costs following the merger with the Cogemat Group (now Snaitech); redundancy program, which allowed to use the Wage Guaranteed Fund and a voluntary redundancy scheme.

II quarter (*)			<i>Figures in thousand/Euro</i>	I semester		
2018	2017	Change		2018	2017	Change
8,296	8,968	(672)	Wages and salaries	16,644	18,686	(2,042)
2,348	2,724	(376)	Social security costs	4,921	5,665	(744)
512	584	(72)	Cost related to Defined benefit/Defined contribution schemes	973	1,155	(182)
99	65	34	Personnel training costs	120	101	19
254	224	30	Expense reimbursement to employees	506	420	86
205	231	(26)	Meal allowances	415	461	(46)
331	(66)	397	Share-based remuneration (IFRS 2)	616	68	548
19	101	(82)	Others	46	137	(91)
12,064	12,831	(767)	Total	24,241	26,693	(2,452)

(*) Unaudited

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

In the table below, which discloses the breakdown by employees grading as of June 30, 2018, it is highlighted:

- A reduction of 174 employees from June 30, 2017 owing to the outsourcing of the points of sales directly owned by SNAI Rete Italia S.r.l. and the redundancy program, which included voluntary leaving of employees;
- An increase of 7 employees from December 31, 2017 owing to hiring of seasonal workers at Montecatini horse track.

30.06.17		31.12.17	Increases for the period	Career progression	Decreases for the period	Career progression	30.06.18	Average number in period
28	Executives	27	0	1	0	0	28	28
950	Employees and middle managers	776	52	0	(45)	(1)	782	767
51	Workers	45	0	0	0	0	45	45
1,029	Total employees	848	52	1	(45)	(1)	855	840

8.1 Incentive schemes

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

The incentive plan proposals (phantom stock option) envisage, in favour of the Chief Executive Officer and General Manager as well as certain executives with key responsibilities for the Company and subsidiaries, a cash bonus equal to a given percentage of the company value (up to 4% for both plans). See Note 9.1 of the Group Consolidated Financial Statements for the full year 2017.

Both schemes were accounted according to the IFRS 2 indication (Share-based payments).

9 OTHER OPERATING COSTS

Other operating costs totalled Euro 24,008 thousand in the first half of 2018 (versus Euro 25,904 thousand in the same period last year).

II quarter (*)			Figures in thousand/Euro	I semester		
2018	2017	Change		2018	2017	Change
7,365	7,258	107	Concessions and licenses fees	14,756	14,652	104
2,098	1,383	715	Expenses related to bad or doubtful credits	3,720	2,784	936
1,039	1,104	(65)	Non-deductible VAT	2,281	2,508	(227)
380	774	(394)	Losses on credits	827	865	(38)
244	225	19	IMU (real estate tax)	489	490	(1)
193	179	14	Other taxes	360	470	(110)
197	779	(582)	Expenses related to risks and charges	424	1,080	(656)
(190)	0	(190)	Release of risks and charges provisions	(190)	0	(190)
131	161	(30)	Stationery, consumables and promotional materials	292	335	(43)
22	1,308	(1,286)	Additional charged to related ADM agreements	91	1,389	(1,298)
61	24	37	Membership fees	131	68	63
72	57	15	Losses from lawsuits	120	249	(129)
50	55	(5)	Costs of Environmental and occupational health controls	94	89	5
37	186	(149)	Losses on assets disposal	78	224	(146)
27	19	8	Entertainment expenses	53	68	(15)
79	30	49	Administration sanctions	87	62	25
221	438	(217)	Other administrative and operating costs	395	571	(176)
12,026	13,980	(1,954)	Total	24,008	25,904	(1,896)

(*) Unaudited

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

- Concession fee for Gaming Machines for a total amount of Euro 10,631 thousand determined as 0.30% of wagers and paid to ADM on a bimonthly basis;
- Concession fees related to rights awarded through the 2006 tender (Bersani rights), 2008 tender (Giorgetti rights) and 2012 tender (Monti rights) and al equal to an overall amount of Euro 2,883 thousand;
- Concession fee related to the Online segment for a total amount of Euro 600 thousand;
- Television licence fees for a total of Euro 121 thousand.

In the first half of 2018, expenses related to bad or doubtful debts were Euro 3,720 thousand in order to realign their measurement with their recovery value. Such receivables arose in prior fiscal years in relation to the Group’s core business and experienced difficulties with regard to their collection.

“Non-deductible VAT” item is equal to Euro 2,281 thousand and arises mainly from different types of transactions executed by Snaitech S.p.A. Such transactions originate VAT taxable and non-taxable revenues with subsequent impact on non-deductible VAT payable on purchases.

In the first half of 2018, expenses related to risks were set at Euro 424 thousand of which Euro 330 thousand to reflect several technological upgrades as allowed by the concession agreement for Gaming Machines pursuant to art. 110, par. 6, of the T.U.L.P.S. and the R.D. n. 773 of June 18, 1931 and subsequent amendments.

10 CAPITALISED COSTS

In the first six months of 2018, capital costs were Euro 321 thousand compared to Euro 592 thousand in the same period last year. These costs related to projects development (in-house software) and were included in the item “Capital Work-in-Progress” of the Statement of Financial Position.

11 AMORTISATION AND DEPRECIATION

Amortisation and depreciation totalled Euro 25,432 thousand in the first semester of 2018 (compared to Euro 24,900 thousand in the same period last year) and are detailed as follows:

II quarter (*)			Figures in thousand/Euro	I semester		
2018	2017	Change		2018	2017	Change
8,480	6,049	2,431	Amortisation of intangible assets	16,923	14,635	2,288
4,206	5,085	(879)	Depreciation of property, plant and equipment	8,509	10,265	(1,756)
12,686	11,134	1,552	Total	25,432	24,900	532

(*) Unaudited

Further information on amortisation and depreciation see Notes no. 14 and no. 15 on “Property, plan and equipment” and “Intangible assets”.

12 FINANCIAL INCOME AND COSTS

In the first semester of 2018, net financial costs amounted to Euro 19,866 thousand, down by Euro 636 thousand from first semester last year, as detailed below:

II quarter (*)			Figures in thousand/Euro	I semester		
2018	2017	Change		2018	2017	Change
			Gains and expenses from shareholdings			
0	0	0	Revaluation/(write off) of Alfea S,p,A,	(12)	0	(12)
0	(541)	541	Revaluation/(write off) of Hippogroup Roma Capannelle S,r,l,	0	(541)	541
0	(541)	541		(12)	(541)	529
			Financial income			
0	8	(8)	Foreign exchange gains	6	9	(3)
15	100	(85)	Interest accrued on bank accounts	55	115	(60)
32	126	(94)	Other financial income	147	266	(119)
47	234	(187)		208	390	(182)
			Financial costs			
9,500	9,398	102	Interests on bonds	18,868	18,757	111
5	90	(85)	Other interest costs	11	111	(100)
5	3	2	Interest accrued on bank loans	10	3	7
6	10	(4)	Foreign exchange losses	7	13	(6)
3	16	(13)	Interest and ancillary charges on lease	8	39	(31)
22	23	(1)	Interest on employee termination indemnities (TFR)	44	46	(2)
764	1,031	(267)	Other financial costs	1,114	1,382	(268)
10,305	10,571	(266)		20,062	20,351	(289)
(10,258)	(10,878)	620	Total	(19,866)	(20,502)	636

(*) Unaudited

Financial costs include the following:

- “Interest on bonds”, subject to depreciation in accordance with effective interest rate method proposed by IAS 39, totalled Euro 18,868 thousand, of which Euro 1,109 thousand attributed to ancillary costs (see Note no. 27 for further details on bonds).
- “Other financial costs” for a total of Euro 1,114 thousand, which includes commitment fee (Euro 435 thousand) and arrangement fee (Euro 604 thousand) related to the revolving credit facility (see Note no. 27 for further details on revolving facility).

13 INCOME TAX

Current income taxes, inclusive of IRES and IRAP on the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities related to the interim financial statements as of June 30, 2018, presented a negative balance of Euro 8,116 thousand (compared to a negative value of Euro 4,413 thousand from the same period last year).

II quarter (*)			I semester	
2018	2017	Figures in thousand/Euro	2018	2017
0	0	IRES	0	0
949	442	IRAP	2,032	783
1,198	1,190	Charge related to Deferred tax liabilities	2,398	2,377
(269)	(277)	Reversal of Deferred tax liabilities	(535)	(537)
(222)	(2,698)	Deferred tax assets	(460)	(4,125)
1,847	3,649	Reversal of Deferred tax assets	4,642	6,173
39	(258)	IRES/IRAP related to previous periods	39	(258)
3,542	2,048	Total	8,116	4,413

(*) Unaudited

The table below shows the reconciliation between actual amount of IRES and IRAP arising from the Consolidated Financial Statements as of June 30, 2018 and the theoretical tax amount:

Figures in thousand/Euro	30.06.2018		30.06.2017	
Profit (loss) before tax		23,501		6,447
Theoretical charge of IRES tax	24.00%	5,640	24.00%	1,547
Fines, penalties and other taxes		114		109
Other permanent non-deductible costs		208		1,392
Other permanent tax deductions		(255)		(172)
IRAP effect	5.12%	1,203	5.12%	330
Permanent differences for IRAP tax purposes		1,167		1,465
Taxes related to previous periods		39		(258)
Actual tax burden	34.54%	8,116	68.46%	4,413

For further information on fiscal effects see Note no. 17 "Deferred Taxes".

The fiscal year 2012 is no longer subject to claim and/or assessment related to tax assets and liabilities.

See Note no. 28 on fiscal disputes.

NOTES ON MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures are presented in thousands of Euro, except where otherwise indicated, and are compared to December 31, 2017 figures.

14 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as of June 30, 2018 amounted to Euro 129,424 thousand (compared to Euro 132,367 thousand as of December 31, 2017). Any changes are due to the combined effect of:

- Depreciation charged for the period of Euro 8,509 thousand;
- Additions of Euro 5,677 thousand;
- Disposals net of accumulated depreciation of Euro 111 thousand.

<i>Figures in thousand/Euro</i>	Land and buildings	Plant and equipment	Industrial and commercial fixtures	Other assets	Capital WIP	Total
Cost						
At January 1, 2017	147,485	215,796	7,027	31,093	0	401,401
Additions via business combination		1,865		38		1,903
Re-measurements	30	313	1,866	(1,932)		277
Additions	937	13,394	147	1,364	14	15,856
Deletions	(13)	(6,291)	(50)	(2,185)		(8,539)
At December 31, 2017	148,439	225,077	8,990	28,378	14	410,898
Additions via business combination	0	0		0		0
Re-measurements	0	0	0	14	(14)	0
Additions	256	4,718	68	635	0	5,677
Deletions	0	(10,186)	(72)	(1,262)	0	(11,520)
At June 30, 2018	148,695	219,609	8,986	27,765	0	405,055
Accumulated depreciation						
At January 1, 2017	43,314	189,696	6,820	25,878	0	265,708
Charge for the period	3,210	14,716	85	1,600		19,611
Depreciations	81	665	0	0		746
Deletions	0	(5,697)	(45)	(2,069)		(7,811)
Re-measurements	29	318	1,818	(1,888)		277
At December 31, 2017	46,634	199,698	8,678	23,521	0	278,531
Additions via business combination	0	0		0		0
Charge for the period	1,563	6,212	43	691		8,509
Depreciations	0	0	0	0		0
Deletions	0	(10,111)	(72)	(1,226)		(11,409)
Re-measurements	0	0	0	0		0
At June 30, 2018	48,197	195,799	8,649	22,986	0	275,631
Net book value						
At January 1, 2017	104,171	26,100	207	5,215	0	135,693
At December 31, 2017	101,805	25,379	312	4,857	14	132,367
At June 30, 2018	100,498	23,810	337	4,779	0	129,424

"Plant and equipment" includes electrical systems, water supply systems, fire prevention and air conditioning systems, as well as any work carried out to comply with safety regulations, electronic equipment and networking technology.

Increases as of June 30, 2018 of Euro 5,677 thousand mainly relate to the following:

- “Land and Building” totalling Euro 256 thousand related to consolidation activities and structural improvement of Gallop racetracks;
- “Plant and equipment” totalling Euro 4,718 thousand and composed as follows: Euro 4,211 thousand for the free-lease technology provided to the points of sales, including AWP’s; Euro 246 thousand for the acquisition cost of capital goods (server, printers, PC and monitor); Euro 139 thousand for radio links; Euro 93 thousand for TV director systems; Euro 29 thousand for electro thermal, electrical systems and transceiver systems;
- “Other assets” amounting to Euro 635 thousand and composed as follows: Euro 421 thousand for free-lease furnishing and fittings provided free the points of sales (including those ones directly owned), Euro 179 thousand for head offices furnishing, Euro 35 thousand for leasehold improvements.

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

Financial lease agreements

Snaitech S.p.A. has entered into several lease agreements, related to certain plants, machinery and equipment, with different expiries until December 31, 2021. These agreements include redemption and/or option to purchase.

The following table shows the outstanding commitments for future minimum lease payments under lease agreements:

Figures in thousand/Euro

Total outstanding commitments as of June 30, 2018	235
of which	
Within one year	124
In the second to fifth years inclusive	111
After 5 years	-
Option to purchase	-

The remaining payments related to operating leases do not present significant amounts.

15 INTANGIBLE ASSETS

Intangible assets as of June 30, 2018 totalled Euro 422,661 thousand (compared to Euro 426,619 thousand as of December 31, 2017) and changes were mainly due to the combined effect of:

- Amortisation charged for the period of Euro 16,923 thousand;
- Additions of Euro 12,965 thousand.

<i>Figures in thousand/Euro</i>	Goodwill	Concessions, licenses, brands and similar rights	Industrial patent rights and intellectual property	Other	Capital WIP	Total
Cost						
At January 1, 2017	306,546	367,101	20,199	77,631	818	772,295
Additions via business combination	3,555					3,555
Re-measurements		-	0	-	0	0
Additions		3,144	168	1,874	662	5,848
Deletions	-	-	(5)	0	0	(5)
At December 31, 2017	310,101	370,245	20,362	79,505	1,480	781,693
Additions via business combination	0					0
Re-measurements		0	600	235	(835)	0
Additions		9,930	510	1,926	599	12,965
Deletions	0	0	(4)	0	0	(4)
At June 30, 2018	310,101	380,175	21,468	81,666	1,244	794,654

Accumulated depreciation

At January 1, 2017	74	281,093	17,208	26,528	0	324,903
Charge for the period	0	23,260	1,059	5,857		30,176
Impairments						0
Deletions	0	0	(5)	0		(5)
Re-measurements						0
At December 31, 2017	74	304,353	18,262	32,385	0	355,074
Additions via business combination	0					0
Charge for the period	0	13,330	517	3,076		16,923
Impairments		0	0	0		0
Deletions	0	0	(4)	0		(4)
Re-measurements		0	0	0		0
At June 30, 2018	74	317,683	18,775	35,461	0	371,993
Net book value						
At January 1, 2017	306,472	86,008	2,991	51,103	818	447,392
At December 31, 2017	310,027	65,892	2,100	47,120	1,480	426,619
At June 30, 2018	310,027	62,492	2,693	46,205	1,244	422,661

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

Additions for Euro 12,965 thousand relate primarily to the following items:

- “Concessions, licenses, brands and similar rights”, amounting to Euro 9,930 thousand, of which Euro 9,879 thousand to extend concessions up to December 31, 2018 and Euro 51 thousand related to the issuance of AWP paper-based authorisation forms (AKA “nullaosta”);
- “Other”, totalling Euro 1,926 thousand, including Euro 1,365 thousand related to exclusive marketing on selected VLT arcades and betting shops, Euro 225 thousand related to compliance of VLT platform, Euro 161 thousand for financial management software, Euro 100 thousand games development, Euro 57 thousand for development of portals, Euro 18 thousand for operation, logistic and CRM software development;
- “Capital WIP”, amounting to Euro 599 thousand includes: Euro 321 thousand related to in-house development of software, Euro 204 thousand related to development of other software and Euro 74 thousand for development costs of the former Trot area.
- “Industrial patent right and intellectual property” for Euro 510 thousand relates to software copyrights.

Goodwill amounted to Euro 310,027 thousand and was allocated to the following cash-generating units (CGU):

- Euro 11,137 thousand allocated to CGU “Services” and related to online services provided to bets acceptance shops “clients providing”;
- Euro 443 thousand provided by Teleippica S.r.l. referred to the CGU “Broadcasting”.
- Euro 149,779 thousand to the CGU “Gaming machines”. CGU is represented by activities related to the concessions for gaming machines (AWP and VLT) and any related activities, management of the points of sales directly owned.
- Euro 78,918 thousand to the “Betting Retail” CGU. This CGU includes the activities related to the concessions for Sports Betting, Horserace Betting and Virtual Events played on retail channel and the management of the points of sales directly owned;
- Euro 69,750 thousand to the “Online” CGU. This CGU includes the activities related to the concession for Online games (Skill games, Casino and bingo) and Sports Betting, Horserace Betting and Virtual Events played on the online channel.

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

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

As of June 30, 2018 there were no evidence of possible impairments and therefore no impairment tests were conducted.

16 INVESTMENTS

The Snaitech Group shareholdings are set forth in the following table:

	Carrying amount at		Percentage of ownership	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
<i>Figures in thousand/Euro</i>				
Associates and subsidiaries measured using the equity method				
- Alfea S.p.A.	1,465	1,477	30.70	30.70
- Connex S.r.l. in liquidation	0	0	0	25
Total investments measured using the equity method	1,465	1,477		
Other				
- Hippogroup Roma Capannelle S.r.l.	443	443	15.46	15.46
Total other investments	443	443		

On March 19, 2018, Connex S.r.l. was deleted from the company register after the termination of the insolvency procedure in 2017.

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

17 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and taxes due were offset only when there was a legal enforceable right to set off, according to IAS 12.

Deferred tax assets and liabilities for the Snaitech Group totalled a net amount of Euro 33,206 thousand of deferred tax assets (Euro 39,251 thousand of net deferred tax assets as of December 31, 2017).

For greater clarity in terms of disclosure, the total amount of timing differences and tax loss carryforward is presented separately for deferred tax assets and liabilities in the tables below.

Similarly, the theoretical amount of deferred tax assets and liabilities, as well as the amounts presented in the consolidated financial statements, are shown separately.

17.1 Deferred tax assets

Temporary differences	Amount	Rate	Maximum Tax asset allowed	Tax asset recognised	Reversal period
Provisions for bad or doubtful debts taxed	56,441	24.00%	13,545	12,684	2018 onwards
Provisions for risks and charges	12,824	24.00%-29.12%- 28.82%	3,722	3,722	2018 onwards
Provision for obsolete inventory	240	24.00%-29.12%- 28.82%	69	69	2018 onwards
Difference between Book value and taxable value of fixed and intangible assets	6,634	24.00%-29.12%- 28.82%	1,699	1,699	2018 onwards
Non-deductible interest costs as per art. 96 of Tuir	202,396	24.00%	48,575	24,472	2018 onwards
Other temporary differences	1,923	24.00%-29.12%- 28.82%	487	487	2018 onwards
Total	280,458		68,097	43,133	

Loss carryforward	Amount	Rate	Maximum Tax asset allowed	Tax asset recognised	Expiry
Snaitech S.p.A. Consolidated Statements					
Year 2008	19,275	24.00%	4,626	4,626	Indefinitely
Year 2009	10,198	24.00%	2,448	2,448	Indefinitely
Year 2010	29,018	24.00%	6,964	6,964	Indefinitely
Year 2011	19,351	24.00%	4,644	4,644	Indefinitely
Year 2012	28,720	24.00%	6,893	6,893	Indefinitely
Year 2013	57,931	24.00%	13,903	13,903	Indefinitely
Year 2014	11,315	24.00%	2,716	2,716	Indefinitely
Year 2015	3,909	24.00%	938	938	Indefinitely
Year 2016	8,578	24.00%	2,059	2,059	Indefinitely
Year 2017	3,355	24.00%	805	805	Indefinitely
Total Loss carryforward of Snaitech S.p.A. Consolidated Statements	191,650		45,996	45,996	
Snaitech S.p.A.*					
Limited use	74,606	24.00%	17,905	17,905	Indefinitely
Fully usable	21,936	24.00%	5,265	5,265	Indefinitely
Total Loss carryforward of Snaitech S.p.A.	96,542		23,170	23,170	
SNAI Rete Italia S.r.l.**					
Limited use	4,682	24.00%	1,124	-	Indefinitely
Total Loss carryforward of SNAI Rete Italia S.r.l.	4,682		1,124	-	
Total Loss carryforward	292,874		70,290	69,166	
Total deferred tax assets				112,299	

* Loss carryforward transferred to Snaitech S.p.A. following the merger with Cogemat Group in 2016

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

The following are the deferred tax assets movements during the current period:

<i>Figures in thousand/Euro</i>	31.12.2017	Amount charged	Amount used	30.06.2018
Deferred tax assets	116,481	515	(4,697)	112,299
of which:				
Provisions for bad or doubtful debts	12,615	70	(1)	12,684
Provisions for risks and charges	3,881	96	(255)	3,722
Provision for obsolete inventory	69	0	0	69
Differences between book value and taxable value of fixed and intangible assets	1,849	183	(333)	1,699
Non-deductible interest costs as per art. 96 of Tuir	24,561	32	(121)	24,472
Other temporary differences	545	65	(123)	487
Loss carryforward	72,961	69	(3,864)	69,166

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

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

Precisely, on June 30, 2018, Directors of the parent Company recognised deferred tax assets arising from temporary differences and loss carryforward, except as hereinafter set forth. The above-mentioned recognition is based on the business plan projections of future positive results.

It should be noted that the deferred tax assets arising from loss carryforward of Snaitech S.p.A. Consolidated Financial Statements totalled Euro 45,996 thousand, while the loss carryforward amount of Snaitech S.p.A. stand-alone, resulting from the merger by incorporation of the undertakings of

Cogemat/Cogetech Group and therefore non recognisable in Consolidated Financial Statements, amounted to Euro 23,170 thousand.

It should be noted that, concerning the non-deductible interest costs as per art. 96 of DPR 917/1986, deferred tax assets have been recognised for a total amount of Euro 24,472 thousand (given a maximum tax asset allowed of Euro 48,575 thousand). In particular, with regards to Snaitech S.p.A., in 2013 and 2014 deferred tax assets were recognised respectively for Euro 9,658 thousand and Euro 2,652 thousand (given maximum tax asset allowed respectively of Euro 10,875 thousand and Euro 6,230 thousand). No deferred tax assets were instead recognised in 2015, 2016 and 2017 (given a maximum tax asset allowed of Euro 19,188 thousand).

In the first semester of 2018, the Parent Company produced a gross operating profit higher than interest costs for the period and this allowed to recover a portion of payable interest costs carryforward, not deducted in prior years.

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

17.2 Deferred tax liabilities

Temporary differences	Amount	Rate	Maximum Tax liability allowed	Tax liability recognised
Tax depreciation of goodwill	(12,508)	24.00%- 29.12%- 28.82%	(3,451)	(3,451)
Tax depreciation of goodwill arising from business units	(187,692)	24.00%- 29.12%	(53,577)	(53,577)
Depreciation of distribution network	(38,729)	24.00%- 29.12%	(10,805)	(10,805)
Differences between book value and taxable value of fixed assets	(38,623)	24.00%- 29.12%	(11,237)	(11,237)
Other temporary differences	(94)	24.00%	(23)	(23)
Total deferred tax liabilities	(277,646)		(79,093)	(79,093)

The following are the deferred tax liabilities movements during the current period:

<i>Figures in thousand/Euro</i>	31.12.2017	Amount charged	Amount used	30.06.2018
Deferred tax liabilities	77,230	2,398	(535)	79,093
Of which:				
Tax depreciation of goodwill	3,390	61	0	3,421
Tax depreciation of goodwill arising from business units	51,241	2,336	0	52,409
Depreciation of distribution network	11,240	0	(435)	11,024
Differences between book value and taxable value of fixed assets	11,332	0	(95)	11,284
Other temporary differences	27	1	(5)	26

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

Depreciation of distribution network equals to Euro 38,729 thousand (given a maximum tax liability allowed of Euro 10,805 thousand) and results from the merger by incorporation into Snaitech S.p.A. of the undertakings of the Cogemat/Cogetech Group. In particular, once accounted for the relevant assets and liabilities of the absorbed undertaking at fair value, a portion of the difference between purchase cost (made up by the share capital increase carried out by Snaitech S.p.A.) and transferred shareholders' equity was allocated, based on fair value, to the distribution network of the Cogemat/Cogetech group.

Difference between book value and taxable value of fixed assets totalled Euro 38,623 thousand (given a maximum tax liability allowed of Euro 11,237 thousand) and relates mainly to the real estate properties (former Trenno) in Milan - San Siro - and Montecatini (Euro 36,838 thousand, given a maximum tax liability allowed of Euro 10,727 thousand) as well as land and buildings (former Immobiliare Valcarenga S.r.l.) in Milan (Euro 1,270 thousand, given a maximum tax liability allowed of Euro 370 thousand).

18 INVENTORIES

Inventories, which refer to finished goods, totalled Euro 670 thousand on June 30, 2018 compared to Euro 205 thousand as of December 31, 2017.

The value of inventories is net of any provision, which amounts to Euro 240 thousand as of June 30, 2018 (Euro 240 thousand as of December 31, 2017).

19 TRADE RECEIVABLES (CURRENT AND NON-CURRENT)

A breakdown of non-current trade receivables is provided in the table below:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Non-current trade receivables			
- From clients	4,644	7,028	(2,384)
- Bills receivable	1,597	1,594	3
Total non-current trade receivables	6,241	8,622	(2,381)

A breakdown of current trade receivables is provided in the table below:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Trade receivables			
- From clients	135,017	158,501	(23,484)
- From foreign clients	541	389	152
- From MIPAAF	6,792	2,413	4,379
- From stables, jockeys and bookmakers	476	589	(113)
- From the Parent Company Global Games S.p.A.	0	32	(32)
- Payable notes	3,567	2,509	1,058
- Provisions for bad or doubtful debts	(50,771)	(51,136)	365
Total trade receivables	95,622	113,297	(17,675)

Trade receivables from clients reflect balances as of June 30, 2018 from Betting and Gaming Machines operators net of their remunerations. The reduction is mainly due to the optimisation of the credit policies implemented. As regards the receivables from those clients arising by the Stability Law and related to the benefit reduction, it is hereby noted that the missing payment from those clients to the Group, which should have collected and paid ADM, forced the Group itself to miss the deadline of October 31, 2015 set forth by the same Stability Law. Based on the several opinions received, the Snaitech Group does not see any obligation arising from such missing payments and therefore believes that no credit risk exists in relation to the missing payments. On this bases, Snaitech S.p.A. has fully offset such receivables with those payables to ADM, previously included in the "Other liabilities".

Trade receivables from clients also include receivables subject to legal action for an amount equal to Euro 37,558 thousand (versus Euro 39,911 thousand as of December 31, 2017).

Receivables from MIPAAF (former ASSI now merged into by the Ministry of Agriculture) amounted to Euro 6,792 thousand (compared to Euro 2,413 thousand as of December 31, 2017) and include:

- Euro 2,230 thousand receivables (892 thousand as of December 31, 2017) related to subsidies for television broadcasts provided in the first half of 2018, subsidies related to plant for first half of 2018, subsidy related to horseraces for 2018 and balance of Montecatini horse track for 2017;
- Euro 4,562 thousand (Euro 1,521 thousand as of December 31, 2017) related to the agreement made by Teleippica S.r.l. to daily broadcast domestic and foreign horserace tracks and UNIRE BLU channel for points of sales providing national totalisator for horserace betting and other ancillary services.

Provisions for bad or doubtful debts were determined according to the amount of doubtful receivables, debtors' conditions, any guarantees provided to the Group, assessing the effective recovery of overdue receivables also given the legal opinions received on the dispute status. Based on the guarantees provided by debtors, Directors believe adequate the provisions to cover foreseeable future losses on receivables. As disclosed on paragraph "Other operating costs", the expense related to provisions for bad or doubtful debt as of June 30, 2018 is equal to Euro 3,720 thousand.

20 OTHER ASSETS (CURRENT AND NON-CURRENT)

"Other non-current assets" included in the "Other non-financial assets" item is broken down as follows:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Other non-financial assets			
<i>Tax receivables:</i>			
- from tax authority on tax refunds	46	46	0
	46	46	0
<i>Receivables from others:</i>			
- security deposits	999	1,026	(27)
- other receivables	187	401	(214)
	1,186	1,427	(241)
Total Other non-financial assets	1,232	1,473	(241)

"Other assets" included in "Current assets" sub-section, are composed as follows:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Other current assets			
<i>Tax receivables:</i>			
- From tax authority on IRES	1,959	1,865	94
- From tax authority on IRAP	536	536	0
- From tax authority on VAT	492	452	40
- From tax authority on other receivables	1,761	3,621	(1,860)
	4,748	6,474	(1,726)
<i>Receivables from others:</i>			
- Security deposit related to Gaming Machines	17,718	35,735	(18,017)
- Advance payment of concession fee and other receivables from ADM	2,012	2,184	47
- Receivables related to undue payment of interest/sanctions on PREU	2,114	2,114	0
- Receivables from regulators on prior positions	327	327	0
- Receivable for the advance payment to ADM of the second instalment of Stability Law	182	182	0
- Security deposit related to Online Games (Skill/Bingo)	124	124	0
- Receivables related to Skill Games	3	100	(97)
- Receivables from ADM related to winnings on Betting Pool and national horse racing	43	41	2
- Receivables from Bluline digital payment portfolio	226	226	0
- Social security institutions and pension funds	429	231	198
- Other receivables	7,306	3,701	3,605
- Provision for bad or doubtful debts	(3,197)	(3,040)	(157)
	27,287	41,925	(14,419)
<i>Accrued income and deferred expenses</i>			
- Accrued income	0	0	0
- Deferred expenses	5,170	4,566	604
	5,170	4,566	604
Total Other current assets	37,205	52,965	(15,541)

Other receivables from tax authority mainly relate to VAT credits from previous years for a total amount of Euro 1,051 thousand.

The item "Security deposit related to Gaming Machines" of Euro 17,718 thousand (versus Euro 35,735 thousand as of December 31, 2017) relates to 0.5% on wagers collected from gaming machines (AWP and VLT), as described in greater detail in Note no. 4, "Revenues from sales and services". On June 12, 2018, the Company was refunded with the Security Deposit for Euro 35,421 thousand.

The item "Advance payment of concession fees and other receivables from ADM" equals to Euro 2,012 thousand and refers to the fixed part of the concession fee (for Betting and Online) paid in advance to ADM for the first semester of 2018 and net of any amount for the relevant period (See Note no. 9 for further details).

Change in other receivables item of Euro 3,605 thousand is mainly owed to Snaicard top ups not yet transferred on bank accounts.

"Deferred expenses" item include:

- Euro 2,582 thousand (compared to Euro 1,463 thousand as of December 31, 2017) for advanced payments of guarantee fees and insurance premiums, mainly related to guarantees provided under the concessions agreements; licenses and gaming machines;
- Euro 686 thousand (compared to Euro 1,289 thousand as of December 31, 2017) related to the arrangement fee on the senior revolving facility (see Note no. 27);
- Euro 1,902 thousand (compared to Euro 1,814 thousand as of December 31, 2017), primarily related to deferred costs of maintenance, assistance, lease payments and utilities.

21 FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Non-current financial assets totalled Euro 3,381 thousand (compared to Euro 3,386 thousand as of December 31, 2017) and relate to deposits paid under AWP agreements executed with operators.

The current financial assets consist of the following:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Escrow accounts	16,837	16,838	(1)
Dedicated bank account	162	131	31
Receivables related to interest income	45	0	45
Società Fiorentina Corse Cavalli share Exchange	0	1	(1)
Total Current financial assets	17,044	16,970	74

Escrow accounts, totalling Euro 16,837 thousand, were opened by the parent Company to set-off the receivables from ADM due under "Di Maio" arbitral award and payables related to horserace bets collections due fortnight (the so-called "former ASSI fifteen-days payments"). These escrow accounts are held pending ADM's decisions following the judgement of the Milan Court of Appeal of November 21, 2013, which declared void the "Di Maio" arbitral award, issued on May 26, 2003.

Non-current financial assets, dedicated bank account, escrow accounts and restricted deposits were not included in the Net Financial Position (see Note no. 38).

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Bank accounts	198,156	135,859	62,297
Postal accounts	2,408	1,164	1,244
Cash	296	568	(272)
Cash and cash equivalents	200,860	137,591	63,269

The increase in cash and cash equivalents for Euro 63,269 thousand is mainly due to the refund of the security deposit for 2017, the positive operating performance achieved in the period and to changes in working capital (see Note no. 38 for further details).

23 SHAREHOLDERS' EQUITY

Shareholders' equity of the Group as of June 30, 2018 was equal to Euro 161,026 thousand and includes a profit for the period of Euro 15,385 thousand.

In particular, the following items compose shareholders' equity:

Share capital

The allotted and fully paid share capital at June 30, 2018 of the parent company Snaitech S.p.A. amounted to Euro 97,982,245.40 (same level as of December 31, 2017), and is comprised of 188,427,395 ordinary shares (188,427,395 as of December 31, 2017).

Shareholders are entitled to receive dividend payments, where approved from time to time, and to exercise one voting right per share at the Shareholders' Meeting.

Number of shares authorised	188,427,395
Number of shares allotted and fully paid	188,427,395
Nominal value per share (in Euro)	0.52

All the shares issued are ordinary shares.

The subsidiary SNAI Rete Italia S.r.l. owns 70,624 shares of Snaitech S.p.A. for a nominal value of Euro 36,724.48.

Reserves

Legal reserve

It amounts to Euro 1,087 thousand and was initially fed with the net profit for 2017, as resolved by the Shareholders' meeting held on April 23, 2018.

Share premium account

The share premium account amounts to Euro 56,950 thousand and was credited by Euro 102.6 million (deducted any ancillary costs net of any tax effect) on November 19, 2015, following the acquisition of the Cogemat group for Euro 140 million. In 2016, it was used for Euro 45,677 thousand to reduce a portion of loss for 2015.

Reserve for actuarial re-measurement in employee termination indemnities TFR (IAS 19)

The TFR reserve (in compliance with IAS 19) is considered as an item with negative value of Euro 906 thousand and relates to actuarial profit or loss.

Treasury shares

Treasury shares represent Snaitech S.p.A. shares owned by former Finscom S.r.l. (now merged into SNAI Rete Italia S.r.l.) and were purchased by Snaitech S.p.A. and SNAI Rete Italia S.r.l. at the time of the acquisition of Finscom S.r.l..

Retained earnings (loss) carryforward

Retained earnings (loss) carryforward amounted to loss of Euro 9,361 thousand and included the profit for 2017 of Euro 25,923 thousand.

Non-controlling interest

As of June 30, 2018, there are no non-controlling interests since the equity in subsidiaries is entirely attributable to Snaitech S.p.A. shareholders.

24 OTHER COMPREHENSIVE INCOME / (LOSS)

In the first half of 2018, other items of the Statement of Comprehensive Income are equal to Euro 52 thousand and relate to the accounting of actuarial re-measurements in Employee Termination Indemnities (TFR).

II quarter (*)		<i>Figures in thousand/Euro</i>	I semester	
2018	2017		2018	2017
Actuarial re-measurements in defined benefit pension scheme:				
50	243	Actuarial Gain (loss)	68	243
(12)	(58)	Tax on re-measurements	(16)	(58)
38	185	Total comprehensive income (loss) for the period	52	185

(*) Unaudited

25 EARNINGS PER SHARE

Basic earnings per share

As of June 30, 2018, the amounts were calculated by dividing the profit attributable to ordinary shareholders, equal to Euro 15,385 thousand (versus a profit of Euro 27,010 thousand as of December 31, 2017), by the weighted average number of ordinary shares, equal to 188,356,771 (same number as of December 31, 2017), outstanding in the period ending on June 30, 2018.

Amounts were calculated as follows:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	30.06.2017
Earning/(loss) per ordinary share =			
Group Net profit for the year (a)	15,385	27,010	2,034
Weighted average number of ordinary shares /1,000 (b)	188,356.77	188,356.77	188,356.77
Basic earnings/(loss) per share (a/b)	0.08	0.14	0.01

Diluted earnings per share

Diluted earnings per share are equal to basic earnings per share, given that no financial instruments with potentially dilutive effects have been issued.

26 EMPLOYEE TERMINATION INDEMNITIES

Employee termination indemnities as of June 30, 2018 amounted to Euro 6,489 thousand against Euro 6,762 thousand as of December 31, 2017. Movements in the current period were as follows:

<i>Figures in thousand/Euro</i>	
Balance as of 01.01.2018	6,762
Other changes	(7)
Accruals	50
Utilizations	(292)
Financial expenses	44
<i>Experience actuarial loss/(gain)</i>	28
<i>Actuarial loss/(gain) arising from changes in demographic assumptions</i>	0
<i>Actuarial loss/(gain) arising from changes in financial assumptions</i>	(96)
Total actuarial loss/(gain)	(68)
Balance as of 30.06.2018	6,489

Employee termination indemnities are defined-benefit plans to be accounted for in accordance with IAS 19 – Employees benefits, applying the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures (using actuarial methods) each unit separately in building up the final obligation.

The estimation of discount rate used for Snaitech S.p.A. and Teleippica S.r.l. relied on the iBoxx Eurozone Corporate AA duration 10+ index, while the iBoxx Eurozone Corporate AA 7-10 duration index was used for the subsidiary SNAI Rete Italia S.r.l..

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

27 FINANCIAL LIABILITIES

The financial liabilities are composed as follows:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Non-current financial liabilities			
Bond loan	560,494	559,385	1,109
Bank loans	452	696	(244)
Obligations under finance leases	106	163	(57)
Total non-current liabilities	561,052	560,244	808
Current financial liabilities			
Obligation under finance leases	125	147	(22)
Interest payables on bonds	5,311	5,352	(41)
Due to banks	121	136	(15)
Current portion of long-term loans	484	479	5
Due to point of sales and related to purchase of business units and Sports/Horserace betting concessions	32	32	0
Total current financial liabilities	6,073	6,146	(73)

The financial liabilities include:

- Bonds issued on November 7, 2016 (described in the following paragraphs) are accounted with the amortised cost method for a total of Euro 560,494 thousand (notional value of Euro 570,000 thousand) net of any direct ancillary costs. Such ancillary costs included the transaction fees and the listing costs in addition to the original issue discount. The amount recognised in the Consolidated Income Statement as of June 30, 2018 was Euro 1,109 thousand.
- Bank loans in the item “non-current liabilities” and the current portion of long-term loans of Euro 936 thousand relate to a loan offered by Banca Popolare di Milano originally for Euro 1,450 thousand.
- Obligations under finance lease, totalling Euro 231 thousand, mainly relate to technology installed in points of sales as well as to the disaster recovery plan, described in greater detail in Note no. 14 “Property, plant and equipment”.

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

Current bonds embed also early payment options. This type of option may be treated as embedded derivatives and as such, must be presented on a stand-alone basis in the financial statements unless it can be classified as “closely related” to the debt itself. The Company determined the fair value of such options on a stand-alone basis, which had no value as of June 30, 2018.

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

A summary of bonds and credit facility is show in the following table. On June 28, 2018 the super senior revolving credit facility was reduced by Euro 32,500 thousand and therefore the new lower amount is Euro 52,500 thousand (from Euro 85,000 thousand). One of the financial institutions granting the facility exercised

its right to withdraw, following the change of control occurred on June 5, 2018 when Pluto (Italia) S.p.A. purchased the majority of shareholding of Snaitech S.p.A. As of June 30, 2018 the credit facility is undrawn.

Bonds	Notional (000/ Euro)	Issue date	Term	Interest rate	Interest period	Maturity	Redemption	Debt as of 30.06.2018
Senior Secured fixed rate Notes	320,000	7.11.2016	5 years	6.375%	6 months	7.11.2021	Bullet	320,000
Senior Secured Floating Rate Notes	250,000	7.11.2016	5 years	6% + Euribor (floor 0%)	3 months	7.11.2021	Bullet	250,000
Senior Revolving Facility ⁽²⁾	52,500	26.10.2016		3.5% ⁽¹⁾ + Euribor (floor 0%)	1, 3 or 6 months	7.8.2021	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.	-
Bank loan	1,450	11.05.2017	3 years	1.9% + Euribor (floor 0%)	1 month	31.5.2020	Straight-line depreciation	936
Total	623,950							570,936

(1) Spread may decrease down to 2.75% in accordance with the Total Net Leverage value;

(2) The maximum level of the facility decreased from Euro 85,000 thousand to Euro 52,500 thousand owing to the withdrawal of one of the participating banks and due the change of control occurred on June 5, 2018, with the acquisition of the majority shareholding from Pluto Italia S.p.A.

As detailed on Note no. 40.3, on August 3, 2019 the Company, following the change of control event and in accordance with duties set forth by relevant documentation, notified an offer for early redemption of the notes at a bid price of 101% of the principal. The bondholders, as described in the offer for early redemption, may exercise their right within a specific deadline.

Please refer to Note no. 38.1 for information on covenants.

28 PROVISIONS FOR RISKS AND CHARGES

The Snaitech Group is involved in proceedings before civil and administrative courts, and other legal actions related to the regular course of business. On the basis of the information currently available, and taking into the existing provisions for risks, the Group considers that such proceedings and actions will not result in any material adverse effects upon the Consolidated Financial Statements.

All the provisions were subject to a review and estimate by the Board of directors based on the information available at the date of preparation of these financial statements and supported by updated legal opinions from independent professionals. These provisions are believed, as a whole, to be adequate to the risks and charges that the Group is reasonably expected to effectively address.

As of June 30, 2018, the provisions for risks and charges amounted to Euro 13,110 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

	Provisions for technological renewal	Provisions for tax disputes, litigations, contractual risks and other	Total
<i>Figures in thousand/Euro</i>			
Balance as of 31.12.2017	1,633	12,078	13,711
Accruals for the period	330	95	425
Reclassification to debit		0	0
Releases and uses for the period		(1,026)	(1,026)
Balance as of 30.06.2018	1,963	11,147	13,110

Provisions for technological renewal

The provision for technological renewals consists of periodical accruals for technological upgrading, as provided for by the concession agreement for the implementation of the Gaming Machines network, in accordance with Art. 110, par. 6, of the T.U.L.P.S., as per the R.D. no. 773 of June 18, 1931 as amended and supplemented.

Provisions for tax disputes, litigations and contractual risks

The provision for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 11,147 thousand.

The accruals for the period total Euro 95 thousand and refer to potential penalties applicable under gaming machines concession.

Releases and uses amount to Euro 1,026 thousand, of which Euro 190 thousand related to releases of the fund, Euro 165 thousand relates to settlement agreements on employment lawsuits (including legal costs); Euro 385 thousand related to the expensed incurred with the sale of business units and the closure of shops of SNAI Rete Italia S.r.l) and Euro 286 to other releases.

The following section will provide a summary of the most significant proceedings. The following proceedings relates only to Snaitech S.p.A., following the merger by incorporation into Snaitech S.p.A. of the former Cogetech S.p.A., Cogetech Gaming S.r.l. and Cogemat S.p.A. For those proceedings started before the merger, the corporate name of SNAI has been kept although it refers exclusively to Snaitech S.p.A. only.

Administrative disputes**1) Ruling on reporting procedures and accounting-related judgement****Regularity of judicial accounts for the years 2004/2009**

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

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

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

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

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

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

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

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

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

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

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

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

With judgement no. 275 of November 20, 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012 as regards the wording "not higher than 5 per cent".

The above wording is therefore cancelled which limited the settlement of pending cases on guaranteed minimum amounts, with a discount that should have remained "not higher than 5 per cent".

On June 6, 2013, Snaitech was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, for a total amount of Euro 3,328,018.72. As for previous notices, Snaitech objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.

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

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

On December 5, 2017, with the aim to interrupt any limitation period, ADM issued an order to claim a payment of Euro 3,188 thousand for the period 2006-2013 (related to the former Cogetech Gaming S.r.l. concessions). The Company promptly replied back by stating the illegitimacy of the claim.

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

3) 2015 Stability Law

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

Pursuant to the ADM Decree, the amount of the Stability Tax due by the former SNAI Group for 2015 was determined, on a pro-rata basis, for an amount of Euro 84.84 million to be paid in two instalments: 40% of the total by April 30, 2015 and the remaining 60% by October 31, 2015. Pursuant to the requirements set out by the 2015 Stability Law and the ADM Decree, (i) Snaitech has required their partners to pay their share of the Stability Tax proportionally to the number of VLTs and AWP managed upon concession licenses and (ii) has tried to renegotiate the terms and conditions of the agreements that govern its trade relations in order to include some of the technical changes set forth by the 2015 Stability Law.

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

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

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

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

The public hearing, after several postponements, was held on May 8, 2018 and now it is expected the sentence from the Constitutional Court. In the meantime any judgement rendered by the Lazio Regional Administrative Court are suspended.

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

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

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

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

As of June 30, 2018 the amounts missing from its own value-chain and due to ADM total Euro 27,881 thousand (see Note no. 19 "Trade receivables").

4) 2015 Stability Law: Snaitech – other party - vs. A.G.C.A.I. and others

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

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

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

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

5) 2011 quotes – Head office - Shared premises

With notice dated June 21, 2012, ADM required the concession holders to pay, on a prorata basis according to the number of gaming machines that they were formally managing, the amount of Euro 300 for the machines that, at completion of the survey (related to the period from January to August 2011), were exceeding in number with respect to the law on applicable quotas. ADM has quantified and informed Snaitech about the total amount to pay, i.e. approximately Euro 3.8 million.

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

The risk of an unfavourable outcome can be deemed as merely possible, taking into account the investigation performed by ADM and the issue, which is relatively new.

6) Lodo di Majo (Di Majo award)

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

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

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

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

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

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

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

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

The Court of Appeal in Rome declared that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence. Snaitech appealed to the Supreme Court (Cassazione) and the judgement is still pending waiting for the date of hearing to be set. In the event that the Supreme Court should ratify the verdict of the Court of Appeal, Snaitech, without any settlement agreement, should correspond ADM with the amount already offset (Euro 21,563 thousand). Under such circumstances, the Company may retaliate on the seller of the receivable (Refer to Note 22).

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

Civil lawsuits

1) Malfunctioning of the Barcrest VLT platform (April 16, 2012)

On April 16, 2012, an anomalous peak of “jackpot” payment requests occurred on the Barcrest System (one of the VLT platforms that the Company used at such time), in connection with tickets which were only apparently winners, for various sums both within and even well beyond the legal limit of Euro 500 thousand.

As a result of that episode – and also following the ADM order to block the system – Snaitech immediately blocked access to the Barcrest System in order to perform the necessary verifications and inspections. Since the aforementioned date, the Barcrest System has not been put back into operation. From the controls carried out, including controls by independent computer experts, it emerged that no Jackpot win was generated by the Barcrest System during the course of the entire day of April 16, 2012.

This event entailed that some holders of “apparently winning” tickets initiated ordinary proceedings/injunction proceedings/summary proceedings seeking payment of the amounts indicated on the tickets issued by the Barcrest VLTs during the malfunction and/or compensation for the damage sustained.

To this purpose, it should be noted that, following the event, no. 100 proceedings were initiated (including mediation procedures) of which, on June 30, 2018, more than 60% were concluded with favourable judgements (some of them *res judicata*), that have recognised the non-existence of the Jackpot win of the day April 16, 2012, with a settlement, because of inactivity of the players who have not appealed the judgement or have not resubmitted the judgement before the jurisdictionally competent judge.

As of June 30, 2018, 25 proceedings were pending.

In addition to the above, it should be noted that, after June 30, 2018, 2 proceeding were finalised through settlement agreement.

In all of the above proceedings, Snaitech has appeared before the Court to challenge the claims for payment based on arguments of fact and law, since, as has already been communicated to the market and to the relevant Regulatory Authority, no “jackpot” was validly obtained at any time during the day of April 16, 2012.

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

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

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

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

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

After the hearings on both judgements, held on January 10 and February 21, 2018, the court decided to merge both hearings into a single one and postponed it on June 6, 2018. At the end of the hearing the court suspended the proceeding to allow parties filing conclusions and other documents.

3) Ainvest Private Equity S.r.l./Snaitech S.p.A.

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

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

At the hearing held on February 7, 2018 the Court rejected Ainvest claim and ordered to reimburse the expenses.

On March 20, 2018 Ainvest notified its appeal against the Court sentence and summoned Snaitech to appear again before the court on July 16, 2018, which was rescheduled by the chairman of the Appeal Court to February 25, 2020.

4) 2015 Stability Law: Acilia Games S.r.l. and other operators

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

(a) assessing that managers are not bound to pay the share of remuneration as per the 2015 Stability Law to the extent indicated by the concession holders;

(b) assessing that the concession holders carried out illegal actions resulting from anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependence and/or abuse of right. To this purpose, stopping the concession holders to perform such actions under penalty of payment of Euro 10 thousand for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure;

(c) assessing that the renegotiation proposals from concession holders are unilateral and are against the general duty of good faith;

(d) to complete item (c), assessing that agreements between the parties are valid and effective as they were in force on the effective date of the Stability Law;

(e) assessing that concession holders are bound to renegotiate in good faith the agreements, and order them to do so without imposing unilateral terms and conditions. To this effect, the concession holders should be ordered to pay the amount of Euro 10 thousand for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Proceedings.

Snaitech appeared in Court for the first hearing, which was rescheduled on March 27, 2018. The court held the judgement and allowed both parties to file their final memories.

5) Giga sas + F.C. snc + D & D srl + Individual enterprise

These companies appealed against the payment injunction achieved by Snaitech for a total amount of Euro 2,200 thousand. These companies claimed the non-existence of the receivables and required compensation for damages for a total amount of Euro 1,000 thousand plus interest and expenses.

Employment lawsuit

It relates to five pending appeals served by Snaitech former advisors, who claimed the recognition of employment relationship (for several years and terminated on September 2016) and the damages suffered as well as any salary integration due (including holidays and employment termination indemnities). Four out of five appealed against the withdrawal of advisory mandate and claimed, under art. 18 of Employees statute, both damages and re-establishment of the work agreement.

One appeal served by a former employee, who claimed that the collective redundancy implemented by the Company to be void and null, was settled on 30 June 2018.

29 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

Other non-current liabilities are broken down as follows:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Other non-current liabilities			
<i>Tax liabilities</i>			
- Instalment payments on tax assessment report	1,318	1,693	(375)
	1,318	1,693	(375)
<i>Other liabilities</i>			
- Security deposits	2,330	2,330	0
	2,330	2,330	0
Total other non-current liabilities	3,648	4,023	(375)

Other current liabilities are composed as follows:

<i>Figures in thousand/Euro</i>	30.06.18	31.12.17	Change
Other current liabilities			
<i>Tax liabilities</i>			
- Flat-rate tax	24,078	7,554	16,524
- Instalment payments on flat-rate tax	50	147	(97)
- VAT	1,111	713	398
- Income taxes	2,039	0	2,039
- Instalment payments on tax assessment report	753	753	0
- Other tax liabilities	1,051	1,223	(172)
	29,082	10,390	18,692
<i>Due to social security institutions</i>			
- Social security institutions	2,985	3,742	(757)
- Instalment payments to Social security institutions	51	104	(53)
	3,036	3,846	(810)
<i>Other liabilities</i>			
- Due to ADM and related to balance due on PREU	36,882	53,779	(16,897)
- Due to ADM	21,668	21,628	40
- Due to winners and VLT jackpot reserve	12,501	13,349	(848)
- Online gaming accounts balances	9,086	8,835	251
- Due to players for ante post bets	4,442	2,688	1,754
- Due to players for winnings/refunds on betting/horserace totalisator	3,358	2,135	1,223
- Due to ADM and related to security deposit on Gaming Machines	5,821	6,319	(498)
- Due to ADM and related to concession fees	3,492	3,792	(300)
- Due to ADM and related to balance due on horseracing	1,353	825	528
- Due to ADM and related to national horserace totalisator bets	747	1,088	(341)
- Due to ADM for expired tickets	488	593	(105)
- Due to players for winnings on Virtual Events	266	279	(13)
- Deferral of PREU from prior years	0	394	(394)
- On restricted deposits	9,158	10,369	(1,211)
- Due to employees and partners	5,679	7,069	(1,390)
- Due to acquisition of business unit	1,205	1,230	(25)
- Related to interest accrued on Lodo Di Maio escrow accounts	762	762	0
- Due to Directors	129	248	(119)
- Due to Statutory Auditors	64	138	(74)
- Due to others	8,205	7,851	354
	125,306	143,371	(18,065)
<i>Accrued liabilities and deferred income</i>			
- Accrued expenses	1,515	727	788
- Deferred income	1,232	702	530
	2,747	1,429	1,318
Total Other current liabilities	160,171	159,036	1,135

Liabilities related to instalment payments on tax assessment report totalled Euro 2,071 thousand, of which Euro 1,318 thousand due after one year and Euro 753 thousand due within one year, all related to the amounts assessed in 2011, 2012 and 2013. On April 7, 2017, the settlement agreements for the years 2011-12-13 were executed for a total amount of Euro 3,008 thousand, including interests and without penalties due objective vagueness of the law. The related amount was deferred into 16 quarterly instalments as allowed by the tax law.

The increase of the flat-rate tax is owed to the expiration of flat-rate tax on betting, introduced by the "Milleproroghe" decree. The deadline of tax payment on Sports and Horserace betting has multiple schedules according to the tax period: between January and April, the flat-rate tax is due by August 31; between May and August, the flat-rate tax is due on November 30; between September and November, the flat-rate tax is due on December 20; the flat-rate tax for whole December is due on January 31 of subsequent year.

Liabilities related to instalment payments on flat-rate tax amounts to Euro 50 thousand and comprise residual fines and interest associated with the late payment of the flat-rate tax for the fiscal periods 2009 and 2010.

Liabilities due to social security institutions amount to Euro 51 thousand and relate to preferential amounts. The instalment payments shall be concluded in 2018.

Debt to ADM related to balance on PREU for a total amount of Euro 36,882 thousand and is determined on wagers collected from with Gaming Machines.

The item "other liabilities due to ADM" totals Euro 21,668 thousand and relates mainly to related to certain payments, initially offset with credits (acquired or original), arising from the Di Majo award. On November 21, 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Since the sentence is enforceable, compensations were cancelled. When ADM requires the payment, Snaitech will be entitled to dispose of the amounts on the escrow accounts jointly with Agisco. For further details, see Note no. 21.

Liabilities arising from purchasing of business unit amount to Euro 1,205 thousand and relate to the acquisition of three business units while the change compared to December 31, 2017 is due to the price revision for one of the business unit.

Accrued expenses of Euro 1,515 thousand include additional monthly salaries and related social security payments.

Deferred income totals Euro 1,232 thousand, of which Euro 637 thousand related to payment due to MIPAAF (former ASSI) investment fund.

30 TRADE PAYABLES (CURRENT AND NON-CURRENT)

The current portion of trade payables are disclosed in the table below:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017	Change
Trade payables			
- To suppliers	35,593	37,878	(2,285)
- To foreign suppliers	2,658	1,812	846
- Credit notes to be received	(366)	(535)	169
Total trade payables	37,885	39,155	(1,270)

31 OVERDUE PAYABLES

The following table sets forth the Group's payables, grouped by type, with a specific indication of the amounts overdue.

Figures in thousand/Euro

Current liabilities	Balance as of 30.06.2018	of which due on 30.06.2018
Financial liabilities	6,073	-
Trade payables	37,885	8,117
Tax-related payables	29,082	-
Due to social security institutions	3,036	-
Other liabilities	125,306	-
	201,382	8,117

As of June 30, 2018 the amounts overdue equal Euro 8,117 thousand and relate to trade payables to suppliers of products and services; such amounts were mainly repaid after June 30, 2018. In certain cases, new payment dates have been agreed. To the present date, there is no claim raised by suppliers.

32 GUARANTEES

In addition to the Financial Liabilities described in Note no. 27, the Group entered into several bank guarantees for a total amount of Euro 195,907 thousand as of June 30, 2018 (Euro 203,213 thousand as of December 31, 2017), as disclosed in the following table:

Bank	Beneficiary	Purpose	Increases/ decreases as of 30.06.2018 (1,000/Euro)
BANCO BPM	ADM (Customs and Monopoly Agency)	Online games	422
BANCO BPM	ADM (Customs and Monopoly Agency)	Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport)	421
BANCA POPOLARE DELL'EMILIA ROMAGNA	Immobiliare Magenta	Rental of offices	(80)
UBI BANCA	Immobiliare Magenta	Rental of offices	82
CASSA DI RISPARMIO DI RAVENNA	HIPPOGROUP ROMA CAPANNELLE	Hippogroup Roma Capannelle as beneficiary to open a bank overdraft and bank guarantee in favour of EEPF	(1,389)
BANCO BPM	Ministry of agriculture	Subsidy to horse racing held in Milan Gallop track in 2016	(2,464)
BANCO BPM	Ministry of agriculture	Subsidy to horse racing held in Milan Trot track in 2016	(1,041)
BANCO BPM	Ministry of agriculture	Subsidy to horse racing held in Montecatini track in 2016	(356)
Unicredit	ADM (Customs and Monopoly Agency)	Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti)	14,023
Generali Italia	ADM (Customs and Monopoly Agency)	Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti)	14,023
Alpha Insurance	ADM (Customs and Monopoly Agency)	Business under concession conducted regularly, timely and precise payment of taxes, concession fee and any other payment set forth by the regulation, including duties to comply with law (Monti)	(14,023)
Banco BPM	ADM (Customs and Monopoly Agency)	Timely payment of PREU, concessions fees and security deposit	7,969

Unicredit	ADM (Customs and Monopoly Agency)	Timely payment of PREU, concessions fees and security deposit	(7,668)
Unicredit	ADM (Customs and Monopoly Agency)	Opening of Sports betting Points of Sales and Online Sports betting related to 2006 tender (Bersani Sport)	(13,300)
Banco BPM	ADM (Customs and Monopoly Agency)	Horseracing bets acceptance tender (Giorgietti)	(4,262)
Banco BPM	ADM (Customs and Monopoly Agency)	Horseracing bets acceptance tender (Giorgietti)	(1,738)
Banco BPM	ADM (Customs and Monopoly Agency)	Horseracing bets acceptance tender (Giorgietti)	(101)
Banco BPM	Tax authority - Milan	Repayment of 2017 taxes deducted in excess (Snaitech)	1,125
Banco BPM	Tax authority - Milan	Repayment of 2017 taxes deducted in excess (ex Trenno)	623
Banco BPM	Tax authority - Milan	Repayment of 2017 taxes deducted in excess (Teleippica)	428
TOTAL			(7,306)

33 RELATED PARTY TRANSACTIONS

Consob note n. 6064293 dated 28 July 2006 requires, in addition to the provisions of the international accounting standard "Related Party Disclosures" (IAS 24), to disclose information on any transaction or position held with related parties, following IAS 24 classification, which may affect income and financial position.

The table hereinafter shows a summary of such transactions and positions. The impact of any transaction on the income and cash flows of the Company and/or the Group must be read bearing in mind that any dealing with related parties is similar to other dealing currently in place with third parties.

Senior Secured Notes and Senior Revolving Facility are also backed by a pledge on Snaitech S.p.A. shares, issued by the majority shareholder of the Company. The pledge between Snaitech S.p.A. and the shareholder was approved with the favourable binding opinion of the Snaitech S.p.A. Related Party Committee.

The following table sets forth a summary of dealings between Snaitech group and related parties.

<i>Figures in thousand/Euro</i>	30.06.2018	% Impact	31.12.2017	% Impact
Intangible Assets				
- From undertakings related to directors	10	0.01%	-	0.00%
	10	0.01%	-	0.00%
Trade Receivables				
- From Global Games S.p.A.	-	0.00%	32	0.03%
	-	0.00%	32	0.03%
Other Current Assets				
- From undertakings related to directors of Snaitech S.p.A.	10	0.02%	-	0.00%
	10	0.02%	-	0.00%
Total Assets	20	0.00%	32	0.00%
Trade Payables				
- To undertakings related to directors of Snaitech S.p.A.	53	0.14%	2	0.01%
- To undertakings related to statutory auditors of Snaitech S.p.A.	144	0.38%	30	0.08%
- To Playtech Services Cyprus LTD	103	0.27%	-	0.00%
- To V.B. Video Cyprus LTD	206	0.54%	-	0.00%
- To PT Turnkey Euservices Limited	11	0.03%	-	0.00%
- To Houselink Services LTD	10	0.03%	-	0.00%
	527	1.39%	32	0.09%
Other Current Liabilities				
- To Global Games S.p.A.	-	0.00%	16	0.01%
- To Hippogroup Roma Capannelle S.r.l.	8	0.00%	7	0.00%
	8	0.00%	23	0.01%
Total Liabilities	535	0.07%	55	0.01%

The following table shows the impact of related party transactions on the income statement:

I semester 2018

<i>Figures in thousand/Euro</i>	1H18	% Impact	1H17	% Impact
Revenues from Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	-	0.00%	38	0.01%
	-	0.00%	38	0.01%
Other Revenues				
- From Global Games S.p.A.	4	0.16%	4	0.25%
	4	0.16%	4	0.25%
Total Revenues	4	0.00%	42	0.01%
Costs for Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	111	0.03%	2	0.00%
- From undertakings related to shareholders of Snaitech S.p.A.	1	0.00%	1	0.00%
- From undertakings related to statutory auditors of Snaitech S.p.A.	692	0.21%	16	0.00%
- From Playtech Services Cyprus LDT	228	0.07%	-	0.00%
- From V.B. Video Cyprus LDT	107	0.03%	-	0.00%
- From PT Turnkey Euservices Limited	6	0.00%	-	0.00%
- From Houselink Services LTD	10	0.00%	-	0.00%
	1,155	0.34%	19	0.00%
Costs of Seconded Personnel				
- From undertakings related to directors of Snaitech S.p.A.	36	0.15%	-	0.00%
	36	0.15%	-	0.00%
Other Operating Costs				
- From undertakings related to directors of Snaitech S.p.A.	37	0.15%	6	0.02%
- From Playtech Services Cyprus LDT	13	0.05%	-	0.00%
	50	0.20%	6	0.02%
Total Costs	1,241	0.33%	25	0.01%

II Quarter 2018 (*)

<i>Figures in thousand/Euro</i>	2Q18 (*)	% Impact	2Q17 (*)	% Impact
Revenues from Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	-	0.00%	23	0.01%
	-	0.00%	23	0.01%
Other Revenues				
- From Global Games S.p.A.	1	0.05%	3	0.64%
	1	0.05%	3	0.64%
Total Revenues	1	0.00%	26	0.01%
Costs for Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	6	0.00%	1	0.00%
- From undertakings related to shareholders of Snaitech S.p.A.	1	0.00%	-	0.00%
- From undertakings related to statutory auditors of Snaitech S.p.A.	351	0.22%	16	0.01%
- From Playtech Services Cyprus LDT	228	0.14%	-	0.00%
- From V.B. Video Cyprus LDT	107	0.07%	-	0.00%
- From PT Turnkey Euservices Limited	6	0.00%	-	0.00%
- From Houselink Services LTD	10	0.01%	-	0.00%
	709	0.44%	17	0.01%
Costs of Seconded Personnel				
- From undertakings related to directors of Snaitech S.p.A.	36	0.30%	-	0.00%
	36	0.09%	-	0.00%
Other Operating Costs				
- From undertakings related to directors of Snaitech S.p.A.	34	0.28%	3	0.02%
- From Playtech Services Cyprus LDT	13	0.11%	-	0.00%
	47	0.39%	3	0.02%
Total Costs	792	0.42%	20	0.01%

(*) Unaudited

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.01% in the first semester 2018 (vs. 0.08% in the first half of last year) while total revenues weighted on Profit (Loss) for the first semester of 2018 by 0.03% (vs. 2.06% in the same period last year).

Cost of raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 1.80% in the first half of 2018 (vs. 0.05% in the same period last year) while total costs weighted on Profit (loss) by 8,07% (vs. 1,23% in the same period last year).

As of June 30, 2018 remuneration to executives with strategic roles was Euro 1,126 thousands, of which Euro 311 thousand related to base salary, Euro 100 thousand as base salary and Euro 715 thousand as variable remuneration of the Chief Executive Officer.

The following table shows presents a summary of transactions between the parent company Snaitech S.p.A. and related parties as of June 30, 2018:

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017
Intangible Assets		
- From undertakings related to directors	10	-
Total Intangible Assets	10	-
Trade Receivables		
- From Global Games S.p.A.	-	32
- From Snai Rete Italia S.r.l.	27	-
- From Teleippica S.r.l.	62	43
- From Snaitech Smart Technologies S.r.l.	38	-
- From Snaitech Iberia S.A.	10	-
Total Trade Receivables	137	75
Other Current Assets		
- From undertakings related to directors	10	-
- From Teleippica S.r.l.	2,812	2,602
- From SNAI Rete Italia S.r.l.	8	19
- From Snaitech Smart Technologies S.r.l.	274	-
Total Other Current Assets	3,104	2,621
Current Financial Receivables		
- From SNAI Rete Italia S.r.l.	3,681	7,876
- From Snaitech Smart Technologies S.r.l.	-	56
- From SNAITECH IBERIA S.A.	3	-
Total Current Financial receivables	3,684	7,932
Total Assets	6,925	10,628
Trade Payables		
- To undertakings related to directors	53	2
- To SNAI Rete Italia S.r.l.	78	44
- To Teleippica S.r.l.	551	306
- To Playtech Services Cyprus LDT	103	-
- To V.B. Video Cyprus LDT	206	-
- To PT Turnkey Euservices Limited	11	-
- To Houselink Services LTD	10	-
- To undertakings related to statutory auditors	118	30
Total Trade Payables	1,130	382
Other Current Liabilities		
- To Global Games S.p.A.	-	16
- To SNAI Rete Italia S.r.l.	4,359	4,716
- To Teleippica S.r.l.	30	24
- To Hippogroup Roma Capannelle S.r.l.	8	7
Total Other Current Liabilities	4,397	4,763

Current Financial Payables

- To Snaitech Smart Technologies S.r.l.	1,161	-
- To Teleippica S.r.l.	13,075	15,623
Total Current Financial Payables	14,236	15,623
Total Liabilities	19,763	20,768

Figures in thousand/Euro
1H 2018
1H 2017
Revenues from Services and Chargebacks

- From undertakings related to directors	-	38
- From Società Trenno S.r.l.	-	132
- From SNAI Rete Italia S.r.l.	9	42
- From Teleippica S.r.l.	70	-
Total Revenues from Services and Chargebacks	79	212

Other Revenues

- From Global Games S.p.A.	4	4
- From Società Trenno S.r.l. (now merged into Snaitech S.p.A.)	-	322
- From SNAI Rete Italia S.r.l.	49	63
- From Snaitech Smart Technologies S.r.l.	31	-
- From Snaitech Iberia S.A.	10	-
- From Teleippica S.r.l.	148	182
Total Other Revenues	242	571

Interest Income

- From Società Trenno S.r.l. (now merged into Snaitech S.p.A.)	-	213
- From SNAI Rete Italia S.r.l.	155	131
- From Snaitech Smart Technologies S.r.l.	98	-
Total Interest Income	253	344
Total Revenues	574	1,127

Costs for Services and Chargebacks

- From undertakings related to directors	111	2
- From Società Trenno S.r.l. (now merged into Snaitech S.p.A.)	-	135
- From SNAI Rete Italia S.r.l.	2,083	4,539
- From Playtech Services Cyprus LTD	228	-
- From V.B. Video Cyprus LTD	107	-
- From PT Turnkey Euservices Limited	6	-
- From Houselink Services LTD	10	-
- From Teleippica S.r.l.	1,272	1,267
- From undertakings related to statutory auditors	604	16
Total Costs for Services and Chargebacks	4,421	5,959

Costs of Seconded Personnel

- From undertakings related to directors	36	-
- From SNAI Rete Italia S.r.l.	15	-
Total Costs of Seconded Personnel	51	-

Other Operating Costs

- From undertakings related to directors	37	6
- From Playtech Services Cyprus LTD	13	-
- From Izilove Foundation	-	15
Total Other Operating Costs	50	21

Interest Costs and Fees

- Interest costs to Teleippica S.r.l.	457	368
Total Costs and Fees	457	368
Total Costs	4,979	6,348

34 FINANCIAL RISK MANAGEMENT

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

On 24th October 2016, the Board of Directors of Snaitech S.p.A. has approved the refinancing of its existing bonds ("Existing Bonds" which includes senior secured notes of Euro 320 million due in 2018, subordinated notes of Euro 160 million due in 2018 and senior secured notes of Euro 110 million due in 2018) through the issuance of a new senior secured bond of Euro 570 million due in 2021 ("New Bonds") and the contextual tender offer to repurchase the Existing Bonds ("Tender Offer"). In the same session, the Board of Director has also approved a new senior revolving facility up to Euro 85 million ("New Revolving Facility") to substitute the existing facility of Euro 55 million. On June 28, 2018 the New Revolving Facility was reduced by Euro 32.5 million, down to Euro 52.5 million. One of the financial institutions granting the facility exercised its right to withdraw, following the change of control occurred on June 5, 2018 when Pluto (Italia) S.p.A. purchased the majority of shareholding of Snaitech S.p.A.

The New Bonds, which represent the main financial indebtedness of the Snaitech Group as of June 30, 2018, are secured (as well as the New Revolving Facility) on a first-ranking basis by (a) a pledge over 50.00% plus one share of the share capital of the Snaitech S.p.A., (provided by Pluto (Italia) S.p.A. replacing now Global Games S.p.A.) (b) a pledge over 100.00% of the quotas of Teleippica S.r.l. (provided by Snaitech S.p.A.) and (c) a pledge over certain intellectual property rights owned by Snaitech S.p.A..

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

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

Financial derivatives

As of June 30, 2018, the Snaitech Group has no derivative instruments outstanding.

Liquidity Risk

Liquidity risk is defined as the possibility that the Snaitech Group would be unable to settle its payment obligations as a result of the inability to obtain new funding (funding liquidity risk), to sell its own assets (asset liquidity risk), or to incur higher funding costs. The Snaitech Group's exposure to such risk is mainly linked primarily to the commitments of new bonds issued in 2016 and the New Revolving Facility, undrawn as of June 30, 2018.

Interest rate risk

The Snaitech Group is exposed to interest rate risk associated with the financing/investment activities performed in the course of regular business. Such risk may be defined as the possibility that a loss may occur in its financial management, in terms of a lower return of investment or an increased cost of liability (existing or potential), as a result of fluctuations in interest rates. The interest rate risk therefore represents the uncertainty associated with the interest rates changes.

The Snaitech Group, on June 30, 2018, is only partially exposed to interest rate risk arising from the coupons of floating rate bond, linked to three-month Euribor (floored at 0%), as well as from the bank loan with a variable interest rate linked to three-month Euribor. Interest rate risk management objective is to hedge the Snaitech Group's financial income and expenses from possible changes in market rates, by monitoring rates volatility as well as balancing the risk-return profile of financial assets and liabilities.

Floating rate financial instruments expose the Group to changes in cash flows, while fixed rate financial instruments expose the Group to changes in its fair value.

Credit risk

In order to reduce and monitor credit risk, the Snaitech Group has implemented ad hoc policies and instruments.

Potential relationships with debtors are always subjected, on a preliminary basis, to reliability analysis based on the information received from specialised companies. Results are supplemented with other information internal to the Snaitech Group, in order to obtain a reliability assessment. This assessment is reviewed on a regular basis or, where appropriate, whenever new information comes out.

Debtors (customers, point of sales owners, AWP and VLT owners, etc.) are usually known to the Group, based on the long lasting experience matured in all the segments of the addressable markets, which is also characterised by a limited number of licensed operators.

A number of relationships with debtors are initially secured with guarantees or deposits, granted in favour of the Group on the basis of reliability assessments. The relationships are monitored on a regular basis by a dedicated department, which liaises with the several other departments.

Receivables are regularly subject to in-depth assessments. In particular, receivables are presented net of the relevant provisions. Expenses related to bad or doubtful debts are accounted for in the objective event of difficult recovery of the credit. Receivables considered to be no longer recoverable are fully written off.

In relation to the above-mentioned receivables, the maximum exposure to credit risk, without taking into account any guarantee or other credit risk mitigants, is represented by fair value.

The risk related to other financial assets of the Group is in line with market conditions.

Exchange rate risk

None of the Group's operations constitute any significant exposure to exchange rate risk.

Capital management

The capital management of the Group aims at guaranteeing a solid credit rating and adequate capital ratios to finance core operations and future investment plans, while continuing to fulfil its contractual obligations with lenders.

The Snaitech Group is subject to restrictive covenants on dividends payment and issuance of new share as specified in the bonds and bank loan agreements.

The Group has analysed its equity in terms of debt/equity ratio, i.e. the ratio of net debt to shareholders' equity plus net debt. It is the Snaitech Group's policy to maintain a ratio of between 0.3 and 1.0.

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017
Interest-bearing loans	567,093	566,358
Non-interest-bearing loans	32	32
Financial liabilities	567,125	566,390
Trade payables and other liabilities	201,704	202,214
Financial assets	(20,425)	(20,356)
Cash and cash equivalents	(200,860)	(137,591)
Net indebtedness	547,544	610,657
Shareholders' equity	161,026	145,589
Total shareholders' equity	161,026	145,589
Shareholders' equity and net indebtedness	708,570	756,246
Ratio net indebtedness/(shareholders' equity and net indebtedness)	77.3%	80.7%

35 NON-RECURRING INCOME AND COSTS

The table below presents the summary of non-recurrent income and cost accounted for in the three months of 2018, pursuant to Consob Resolution No. 15519 of July 27, 2006, (which defines such items as "positive and/or negative items of Statement of Income arising from non-recurring events or operations occurred out of the ordinary course of business"). A breakdown of non-recurring income and costs is shown below:

<i>Figures in thousand/Euro</i>	First semester	
	2018	2017
Other revenues and income		867
Costs of services and third party assets	(1,311)	636
Cost of personnel		(63)
Other operating costs (*)		(1,841)
Total	(1,311)	(401)

(*) Differently from previous disclosure, in the first half of 2017 Euro 455 thousand related to restructuring and reorganizational costs of Società Trenno S.r.l. (now merged into Snaitech S.p.A.) were reclassified from Other provisions to Other operating costs.

In the first semester of 2018, non-recurring costs of Euro 1,311 thousand refers mainly to advisory activities and services provided during the acquisition of the majority shareholding by Playtech Plc and subsequent integration within the Playtech group.

36 ATYPICAL/UNUSUAL TRANSACTIONS

No atypical and/or unusual transactions were recorded in the first semester of 2018.

37 GROUP STRUCTURE

Ownership of the Group

Pluto (Italia) S.p.A. has legal control over Snaitech S.p.A.

Relevant ownership of subsidiaries share capital

	Percentage of ownership		
	30.06.2018	31.12.2017	30.06.2017
Società Trenno S.r.l.*	0	0	100
Teleippica S.r.l.	100	100	100
SNAI Rete Italia S.r.l	100	100	100
iZilove Foundation	100	100	100
Snaitech Smart Technologies S.r.l.	100	100	0
SNAITECH IBERIA S.A.	100	0	0

* Merged by incorporation into Snaitech S.p.A. in 2017

The Group structure and the basis of consolidation are set forth in Schedule 1.

38 NET FINANCIAL POSITION

In accordance with the requirements of CONSOB's Notice of July 28, 2006, and in accordance with the Recommendation from CESR of February 10, 2005, "CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Snaitech Group's net financial position disclosed hereinafter is negative by Euro 366,220 thousand.

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017
A. Cash	296	568
B. Other cash equivalents	200,564	137,023
- Bank accounts	198,156	135,859
- Postal accounts	2,408	1,164
C. Securities held for trading	0	1
D. Liquidity (A)+(B)+(C)	200,860	137,592
E. Current financial assets	45	0
- Interest receivables on bank accounts	45	0
F. Current bank debts	121	136
G. Current portion of non-current indebtedness	484	479
H. Other current financial debt:	5,468	5,531
- For interest on bonds	5,311	5,352
- Due to other lenders	157	179
I. Current financial indebtedness (F)+(G)+(H)	6,073	6,146
J. Net current financial indebtedness (I)-(E)-(D)	(194,832)	(131,446)
K. Non-current bank loans	452	696
L. Bonds issued	560,494	559,385
M. Other non-current loans:	106	163
- Due to other lenders	106	163
N. Non-current financial indebtedness (K)+(L)+(M)	561,052	560,244
O. Net financial indebtedness (J)+(N)	366,220	428,798

Net financial position does not include restricted bank accounts and deposits of Euro 16,837 thousand and the dedicated bank account of Euro 162 thousand (included in the item "Current financial assets"), other non-current financial assets of Euro 3,381 thousand (see Note no. 21).

The net financial indebtedness decreased by Euro 62,578 thousand compared to the level as of December 31, 2017. Such decrease is for the most part due to the increase in cash and cash equivalents by Euro 63,268 thousand, owing to the refund of the security deposit for 2017 from ADM, the business performance of the period as well as working capital changes. Conversely, the small increase of the gross financial indebtedness (current and non-current) is due to the interest on bonds due in the period.

It is disclosed hereinafter the net financial indebtedness level of the Parent Company Snaitech S.p.A.

<i>Figures in thousand/Euro</i>	30.06.2018	31.12.2017
A. Cash	134	315
B. Other cash equivalents	198,909	136,048
- Bank accounts	196,501	134,884
- Postal accounts	2,408	1,164
C. Securities held for trading	0	1
D. Liquidity (A)+(B)+(C)	199,043	136,364
E. Current financial assets	3,729	7,932
- Bank account with subsidiaries	3,684	7,932
- Interest receivables on bank accounts	45	0
F. Current bank debts	121	136
G. Current portion of non-current indebtedness	482	479
H. Other current financial debt:	19,704	21,154
- For interest on bonds	5,311	5,352
- Bank account with subsidiaries	14,236	15,623
- Due to other lenders	157	179
I. Current financial indebtedness (F)+(G)+(H)	20,307	21,769
J. Net current financial indebtedness (I)-(E)-(D)	(182,465)	(122,527)
K. Non-current bank loans	452	696
L. Bonds issued	560,494	559,385
M. Other non-current loans:	105	163
- Due to other lenders	105	163
N. Non-current financial indebtedness (K)+(L)+(M)	561,051	560,244
O. Net financial indebtedness (J)+(N)	378,586	437,717

Net financial position of Snaitech S.p.A. does not include restricted bank accounts and other non-current financial assets.

38.1 Covenants

As with other similar loans, the outstanding loan agreements (revolving credit line and bonds) envisage a number of obligations for the Snaitech Group.

More specifically, the Company is required to undertake commitments aimed at safeguarding the credit position of the financing entities, such as: restrictions on dividends distribution until expiration of bonds, restrictions on the early repayment of bonds, restrictions on new financial indebtedness, new specific investments and disposal of corporate assets and properties. Some events of default are also specified, upon which lenders may request early repayment in whole or in part of the loans.

According to the super Senior Revolving loan facility, Snaitech S.p.A. agreed to send, on a quarterly basis, a Compliance Certificate stating the absence of any event of default in the relevant period. The Compliance Certificate, in addition the above statements, discloses also the Total Net Leverage, which represents the key parameter to assess the margin applied to the Senior Revolving loan facility. Financial documentation does not envisage Maintenance Covenants, which would require the Company and the Group to comply constantly with certain financial parameters in order not to early repay the loans.

Finally, according to the Super Senior Revolving credit facility and bonds, the Group is obliged to provide periodically its lenders with financial and income statements.

39 FINANCIAL INSTRUMENTS AND FAIR VALUE

The following table shows a break down of all financial instruments according to the fair value hierarchy.

Description	Level 1	Level 2	Level 3	Balance as of 30.06.2018
Current financial assets (LaR)		17,044		17,044
Non-current financial assets (LaR)		3,381		3,381
Non-current financial liabilities (FLAC)	560,494 (*)	558		561,052
Current financial liabilities (FLAC)		6,073		6,073
Other non-financial non-current assets (LaR)		1,232		1,232

* Market value from Bloomberg on the last trading day related to the bond is equal to Euro 590,040 thousand.

IAS 39 categories key

Loans and receivables	LaR
Financial Liabilities at amortised cost	FLAC

According to IFRS 7, the financial instruments accounted at fair value in the Statement of Financial Positions are classified according to a “fair value hierarchy” in order to increase consistency and comparability in fair value measurements and related disclosures. The hierarchy envisages the following three levels:

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

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

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

On June 30, 2018 and December 31, 2017, there are no financial assets and liabilities designated at fair value in the Income Statement or derivatives held for hedging purposes.

In the first semester of 2018, no transfers occurred between fair value levels of the aforementioned hierarchy.

40 EVENTS AFTER THE REPORTING PERIOD

40.1 Shareholders’ meeting held on 18 July 2018

The Ordinary Shareholders’ Meeting of SNAITECH S.p.A. (“SNAITECH” or “Company” or “Issuer”), held on 18 July 2018, appointed a new Board of Directors following the resignations submitted by the former Board members on 5 June 2018 and effective from 18 July 2018.

In particular, the Shareholders’ Meeting, after having fixed the number of the members of the new Board of Directors at 7, which will remain in office until the approval of the financial statements as of 31 December 2020, appointed the following Directors: Moran Weizer, Andrew James Smith, Fabio Schiavolin, Andrea Nappa, Raffaella Viscardi, Chiara Palmieri and Mara Vanzetta, all of whom were drawn from the slate of candidate submitted by the majority shareholder Pluto (Italia) S.p.A.

The Meeting also resolved to fix in Euro 280,000 the overall remuneration to be allocated to the Board of Directors members, excluding those members covering specific roles.

The new Board of Directors, which met in a plenary session after the Shareholders’ Meeting, appointed Moran Weizer and Fabio Schiavolin respectively as Chairman of the Board of Directors and Managing Director.

In addition, the Board assessed the independence of its Directors: on the basis of the statements provided by them and the information available to the Company, the following Directors fulfilled the requirements of independence pursuant to Art. 147 ter of Legislative Decree 58/98 and the Corporate Governance Code promoted by Borsa Italiana S.p.A.: Andrea Nappa, Chiara Palmieri, Raffaella Viscardi and Mara Vanzetta.

During the Board meeting, the members of the internal committees have been appointed as follows:

- i. Remuneration Committee: Mara Vanzetta (Chairman), Andrea Nappa and Raffaella Viscardi;
- ii. Audit and Risks Committee: Chiara Palmieri (Chairman), Andrea Nappa and Raffaella Viscardi;
- iii. Related Parties Committee: Mara Vanzetta (Chairman), Andrea Nappa and Raffaella Viscardi.

Lastly, the Board of Directors, taking into account the opinions expressed by the Remuneration Committee and the Related Parties Committee, approved the execution of a directorship agreement to be entered into by and between the Company and Mr. Fabio Schiavolin aimed at ensuring managerial continuity having Mr Schiavolin as Managing Director and General Manager of the Company for a minimum period until the approval of the financial statements as of 31 December 2021.

Pursuant to the above agreement, Mr. Schiavolin shall be entitled, for each of the abovementioned offices (Managing Director and General Manager) to a fixed annual remuneration, a variable compensation linked to the Company achievement of EBITDA targets to be set from time to time on the basis of the annual Company budget, an “entry bonus” una tantum to be paid (as a whole) within 6 months of the execution of the related agreements, plus a bonus linked to his remaining in the aforesaid offices until the date of approval of the financial statements as of 31 December 2021 or to the achievement of specific Company performance targets. The directorship agreement contains also some provisions that are standard for such contracts, including cases of early termination of the offices due to good/bad leaver events and the related economic treatments upon the occurrence of such events.

40.2 MTO

On 25 July 2018, Pluto (Italia) S.p.A. notified the final results of the Mandatory Tender Offer, which resulted in 21,197,385 shares tendered (equal to 11.25% of the share capital and 58.963% of overall shares tendered) for a total amount of Euro 46,422,273.15.

Since Pluto (Italia) S.p.A. reached a shareholding at least equal to 95% of Snaitech share capital, it exercised the right to purchase any residual share, pursuant to art. 111 of TUF and in compliance with obligation set forth by art. 108 of TUF, through a single procedure in accordance with Consob and Borsa Italiana (effective from 3 August 2018).

Borsa Italiana, pursuant to art. 2.5.1 par. 6 of Stock Exchange Regulation, suspended trading on Snaitech shares on 1 and 2 August with delisting effective from 3 August 2018.

40.3 Offer for early redemption of the notes “6.375% Senior Secured Notes due 2021” and “Senior Secured Floating Rate Notes due 2021” owing to change of control

Following the acquisition executed by Pluto on 5 June 2018 of no. 132,956,595 ordinary shares, equal to 70.561% of the Company share capital, from Global Games and OI Games S.A., and the subsequent change of control of the Company and given current documentation related to non-convertible notes issued by Snaitech “6.375% Senior Secured Notes due 2021” and “Senior Secured Floating Rate Notes due 2021”, it is therefore required to apply the mandatory early redemption offer for a total value of Euro 575.7 million.

The early redemption procedure shall be applied in accordance with the “change of control offer”, where Snaitech will publicly tender exiting notes at a bid price of 101% of the notional amount. Terms and conditions shall be made available on the company website at <http://snaitech.it/it/investitori/prestiti-obbligazionari>.

On this purpose, on August 3, 2018 the Issuer has entered into an intragroup financing agreement with Playtech, which is available to fund Snaitech for any notes tendered under the redemption procedure.

Other Disclosures

The above notes supplement the information included in Schedule 1 “Composition of the Snaitech Group as of June 30, 2018”.

Schedules are part of the notes and provide additional details and explanations of the relevant items in the financial statements.

The financial statements of subsidiaries and affiliates are all presented in Euros.

The financial statements give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for the year.

On behalf of the Board of Directors
Fabio Schiavolin
(Chief Executive Officer)

Milan, August 3, 2018

SCHEDULE 1
Composition of the Snaitech Group as of June 30, 2018
Figures thousands/Euro

Name	Head office	Share Capital	Owned percentage	Note	Type of business	Consolidation method/ Valuation criteria
- Snaitech S.p.A.	Milan (MI)	97,982	Parent Company		Acceptance of horse racing and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - skill games- organization and management of horse racing tracks and training centers	Line-by-line basis
Subsidiaries:						
- Teleippica S.r.l sole shareholder	Milan (MI)	2,540	100.00%	(1)	Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers	Line-by-line basis
- SNAI rete Italia S.r.l. sole shareholder	Milan (MI)	10	100.00%	(2)	Acquisition of shareholdings in companies managing sales points, as well as at the centralization and management of direct sales points	Line-by-line basis
- Snaitech Smart Technologies S.r.l. sole shareholder	Milan (MI)	10	100.00%	(3)	Design, plan, implementation, production, assembly, promotion, sale, rental and assistance on computers, electronic and informatics technologies, hardware and software	Line-by-line basis
- SNAITECH IBERIA S.A.	Madrid (Spain)	60	100.00%	(4)	Marketing and gambling offering	Line-by-line basis
- IziLove Fondation	Milan (MI)	60*	100.00%	(5)	Non-profit Foundation - Social solidarity and charity	Line-by-line basis
Affiliates:						
- Alfea S.p.A.	Pisa (PI)	1,006	30.70%	(6)	Organization and operation of horse races and the training center	Shareholders' Equity
Other companies:						
- HIPPOGROUP Roma Capannelle S.r.l.	Rome (RM)	1,777	15.46%	(7)	Organization and operation of horse races and the training center	Acquisition price

* Not available fund

Notes on Snaitech Group composition

- (1) On January 31, 2011 Snaitech S.p.A. acquired 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. Snaitech S.p.A. owns 100% of the share capital of Teleippica S.r.l.
- (2) On April 3, 2015, the new undertaking SNAI Rete Italia S.r.l., 100% owned by SNAITECH S.p.A., was incorporated (with share capital of Euro 10 thousand) with the aim to acquire shareholdings in undertakings owing point of sales and then manage directly the point of sales. On October 24, 2016 (effective on November 1, 2016) Finscom S.r.l merged by incorporation into SNAI Rete Italia S.r.l.. With a resolution of the Shareholders' Meeting on December 21, 2016 (filed in the Companies Registry on December 28, 2016) the registered office was moved from Porcari (LU) to Milan.
- (3) Incorporated on December 1, 2017 and wholly owned by Snaitech S.p.A.
- (4) On January 26, 2018 SNAITECH IBERIA S.A: was established in Madrid, calle Miguel Angel no. 11, with Euro 60 thousand share capital wholly owned by Snaitech S.p.A.
- (5) Indirect ownership of wholly owned subsidiary Cogetech S.p.A., acquired with the merger of the Cogemat Group on November 19, 2015.
- (6) Previously owned with 30.70% share capital by Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.) now merged into Snaitech S.p.A.
- (7) The Shareholders' meeting of Hippogroup Roma Capannelle S.p.A. held on July 10, 2017 resolved the followings: the conversion of the bond and subsequent extinction; to change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows "Hippogroup Roma Capannelle S.r.l.". Following the bond conversion, Snaitech S.p.A. owns a share of 15.20% equal to Euro 262,395 of the share capital of Hippogroup Roma Capannelle S.r.l.. Thereafter, the undertaking Lexorfin S.r.l., owned by Snaitech S.p.A. with 2.44% share capital, was merged by incorporation into Hippogroup Roma Capannelle S.r.l. and Snaitech S.p.A. has a share of Euro 274,712 thousand equal to 15.46%