



## **SEMI-ANNUAL FINANCIAL REPORT AS OF 30 JUNE 2011**

**SNAI S.p.A.**

**Headquarters in Porcari (Lucca) - Via L. Boccherini, 39 - Share Capital € 60,748,992.20 paid in**

**Tax identification number 00754850154 and VAT number 01729640464**

**Business Registry of Lucca and R.E.A. of Lucca no. 00754850154**

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## **INTERMEDIATE REPORT ON OPERATIONS AS OF 30 JUNE 2011**

**SNAI S.p.A.**  
Headquarters in Porcari (Lucca) - Via L. Boccherini, 39 - Share Capital € 60,748,992.20 paid in  
Tax Code 00754850154 - VAT No. 01729640464  
Register of Companies of Lucca and REA of Lucca No 00754850154

## **1. Bodies and Auditors of SNAI S.p.A.**

*(In office from the meeting of 29 April 2011)*

### **Board of Directors**

*(In office until the meeting which will approve the financial statements as of 31/12/2011)*

<i>Chairman</i>	<b><u>Marco Pierettori</u></b>
<i>Managing Director</i>	<b><u>Stefano Bortoli</u></b> ^
<i>Administrators</i>	<b><u>Antonio Casari</u></b> * <b><u>Gabriele Del Torchio</u></b> ** <b><u>Giorgio Drago</u></b> <b><u>Carlo D'Urso</u></b> ** <b><u>Francesco Ginestra</u></b> <b><u>Nicola Iorio</u></b> <b><u>Massimo Perona</u></b> * <b><u>Roberto Ruozi</u></b> ** <b><u>Maurizio Ughi</u></b> <b><u>Nicholas De Mari Uzielli</u></b> <b><u>Gabriele Villa</u></b> *

### **Managing Director and Manager in Charge of the preparation of financial reports**

**Luciano Garza**

### **Board of Statutory Auditors**

*(In office until the meeting which will approve the financial statements as of 31/12/2013)*

<i>President</i>	<b><u>Massimo Gallina</u></b>
<i>Standing Auditors</i>	<b><u>Maurizio Maffeis</u></b> <b><u>Enzio Bermani</u></b>

### **Auditing Company**

**Reconta Ernst & Young** \*\*\*

^ *Co-opted by the Board of Directors on 1 June 2011*

\* *Components of the Internal Auditing Committee*

\*\* *Components of the Remuneration Committee*

\*\*\* *Appointment approved by SNAI S.p.A. Assembly of 15/05/2007 for a period of 9 years*

## 2. Gruppo SNAI Structure

The Group is controlled by Global Games S.p.A. - a company owned in equal measure by Global Entertainment S.A. (whose capital is wholly owned by Investindustrial IV LP.) and by Global Win S.r.l. (controlled by Venice European Investment Capital S.p.A.) - which owns 67.188% of the share capital of SNAI S.p.A.

The acquisition of a majority stake was completed in two phases:

1. 29 March 2011, when Global Games completed the acquisition from SNAI Servizi S.p.A. the controlling stake of 50.68% in SNAI S.p.A.;
2. as the outcome of public offer of mandatory acquisition (OPA), promoted by Global Games S.p.A. following the acquisition completed on 22 June 2011, with which Global Games increased its equity investments to the current 67.188%.

### 2.1 Main investments as of 30 June 2011

The chart below shows the operational companies of the Gruppo SNAI as of 30 June 2011.



## 2.2 Key Figures

### IV. KEY FIGURES

(in thousands of euro)	30/06/2011	30/06/2010	(**) 2009				
			2010	Riesposto	2009	2008	
<b>SNAI S.p.A.</b>							
a) Revenue	270,845	266,614	537,105	542,583	528,570	522,611	
b) EBITDA (Operating Income)	38,669	31,839	57,002	89,658	87,769	82,053	
c) Depreciation and amortization	30,124	23,926	55,461	61,092	60,102	76,944	
d) EBIT (Net operating income)	8,151	6,230	(1,705)	23,136	22,278	2,532	
e) Profit (loss) for period	(6,739)	(5,087)	(33,369)	(9,562)	(9,337)	(28,892)	
f) Changes Investments in prop., plant & equi	7,389	5,053	39,206	121,464	93,499	58,519	
g) Financial Investments	12,527	47	1,498	3,551	3,551	61	
h) Net Invested Capital	597,950	513,816	532,539	572,357	550,877	575,995	
i) Net fin. (liq. assets)	346,702	227,322	274,552	281,001	259,295	275,077	
j) Shareholders' equity	251,248	286,494	257,987	291,356	291,581	300,918	
k) Dividends distributed:							
l) Employees	352	339	297	292	288	266	
EBIT/revenue	3,0%	2,3%	-0,3%	4,3%	4,2%	0,5%	
Investments/revenue	2,7%	1,9%	7,3%	22,4%	17,7%	11,2%	
EBIT/Net invested capital	1,4%	1,2%	-0,3%	4,0%	4,0%	0,4%	
Net fin. (liq. assets)/Shareholders' equity	138,0%	79,3%	106,4%	96,4%	88,9%	91,4%	

(in thousands of euro)	(*) 30/06/2010		(*) 2010		2010	2009	2008
	30/06/2011	Restated	30/06/2010	Restated			
<b>GRUPPO SNAI</b>							
m) Revenue	284,764	295,694	290,271	566,909	555,873	559,711	540,501
n) EBITDA (Operating Income)	41,040	37,330	34,744	64,123	58,606	90,657	81,867
o) Depreciation and amortization	32,073	27,900	26,242	59,809	56,931	62,540	78,350
p) EBIT (Net operating income)	8,573	7,563	6,635	401	(2,238)	21,672	930
q) Profit (loss) for period	(7,525)	(5,379)	(5,688)	(32,447)	(33,825)	(9,986)	(29,525)
r) Investments in property, plant and equipme	9,376	6,599	6,173	41,335	40,665	128,268	60,6012
s) Net Invested Capital	596,603	547,368	539,642	548,007	539,816	575,573	581,014
t) Net fin. (liq. assets)	349,491	265,726	251,155	293,370	279,466	281,398	276,853
u) Shareholders' equity	247,112	281,642	288,487	254,637	260,350	294,175	304,161
v) Employees	777	655	599	610	571	536	509
EBIT/revenue	3,0%	2,6%	2,3%	0,1%	-0,4%	3,9%	0,2%
Investments/revenue	3,3%	2,2%	2,1%	7,3%	7,3%	22,9%	11,2%
EBIT/Net invested capital	1,4%	1,4%	1,2%	0,1%	-0,4%	3,8%	0,2%
Net fin. (liq. assets)/Shareholders' equity	141,4%	94,3%	87,1%	115,2%	107,3%	95,7%	91,0%

(\*) The restated values include the values deriving from the consolidation of Teleippica S.r.l.

(\*\*) The restated values include the values deriving from the merger by incorporation into SNAI S.p.A. of the Horse racing agencies Monteverde S.r.l. and Punto SNAI S.r.l.

## **EXPLANATORY NOTES TO THE TABLE OF KEY FIGURES AND PERFORMANCE INDICATORS**

In this interim progress report on operations, in addition to the standard indicators required by the IFRS, there are some alternative performance indicators used by the management of Gruppo SNAI to monitor and evaluate its operational performance and since they are not identified as an accounting measure by IFRS should not be considered as alternative measures for the evaluation of the results of Gruppo SNAI. Since the composition of the alternative performance indicators is not regulated by the accounting standards of reference, the criterion used by the Gruppo SNAI might not be consistent with that adopted by others and therefore may not be comparable.

In accordance with the recommendations on alternative performance indicators issued by CESR, "Committee of European Securities Regulators", in October 2005, following there is the evidence for the reconstruction of the main alternative performance indicators used by the Group:

Gross operating profit (EBITDA) and operating profit before depreciation of receivables and costs for stock option plans (Adjusted EBITDA) are the economic performance indicators not defined by the accounting standards of reference and are constructed as follows:

1. EBITDA;
2. EBIT;
3. Financial Investments (SNAI S.p.A.);
4. Variations in tangible and intangible investments (SNAI S.p.A.)
5. Variations in tangible and intangible investments (Gruppo SNAI);
6. Net Invested Capital;
7. Net Financial Borrowing

1.– 2. The values of EBITDA (operating result shown as "Profit before depreciation, amortization, financial income/expenses, taxes" ) and EBIT (Net Operating Profit shown as "Profit before financial income/expenses, taxes") detectable in the income statement in paragraph 3.7 "Gruppo SNAI: Consolidated financial statement summary", and are thus formed:

### **Profit/Loss before taxes**

+ Financial Charges  
- Financial income  
+/- Income/expenses from investments in associated companies

### **Profit before financial income/expenses, taxes + restructuring costs (EBIT)**

+ Amortization  
+/- Other provisions

### **Profit/loss before amortisations, devaluations, financial income/expenses, taxes (EBITDA)**

3. The financial investments include the acquisition of shares or units of equity investments and any interventions on the share capital of the equity already held;
4. The variations in Tangible and Intangible investments include increases in both tangible and intangible assets, net of disinvestments and any disposals;
5. The tangible and intangible investments, for Gruppo SNAI, result from increases in Tangible and Intangible assets analytically shown in the detailed tables in the Explanatory Notes to paragraphs 17. and 18.;
6. The Net Invested Capital is derived from the algebraic sum of:
  - a. Fixed assets (Tangible, Intangible) and Equity investments;
  - b. Net working capital (algebraic sum of Inventories, Accounts Receivable, Prepaid taxes and other assets less the accounts payable, provisions for risks and expenses, Deferred Taxes and other non-financial liabilities);
  - c. Payables due to Termination benefits.
7. The net financial debt is calculated as indicated in the prospectus "Consolidated Cash Flow" in paragraph "3.7" for the Gruppo SNAI.



The table above shows the most significant values of SNAI S.p.A. and Gruppo SNAI for the period from 2006 to 30 June 2011.

The values described by f), g), and r) only report the increases occurring in the period.

The indices reported at the bottom of the tables of values were calculated as follows:

for SNAI S.p.A.

- EBIT(Net operating result) on net profit: (values at line d/values at line a) x 100
- Investments/net revenues: (line f/ line a) x 100
- EBIT (Net operating profit)/net invested capital: (line d/line h) x 100
- (liquidity) net financial/net equity: (line i/line j) x 100

for Gruppo SNAI

- EBIT(Net operating result) on net profit: (values at line d/values at line a) x 100
- Investments/net profit: (line f/line a) x 100
- EBIT (Net operating profit)/net invested capital: (line p/line s) x 100
- Net financial borrowing (liquidity)/shareholders' equity: (line t/line u) x 100

## 2.3 Introduction to the present report

As detailed below, the interim report of Gruppo SNAI as of 30 June 2011 was prepared pursuant to Article 154 - ter of Legislative decree 58 (TUF) of 24 February 1998 and Art. 82 of the CONSOB Regulation adopted by Resolution 11971 of 14 May 1999 and subsequent amendments and additions as well as the application of Regulation No. 1606/2002 approved by the European Union on 19 July 2002 imposing an obligation for all listed companies in EU countries to draw up, starting from the year ended on 31 December 2005, their own consolidated financial statements in accordance with international accounting standards (IAS/IFRS). Furthermore, with subsequent Legislative Decree 38 of 28 February 2005 the Italian Government decreed that listed companies have the faculty to prepare the financial statements in accordance with IAS/IFRS for the financial year 2005 which is mandatory from 2006.

It follows that the accounting data presented and discussed in this interim report in accordance with those used for the preparation of the financial statements of SNAI S.p.A. and the consolidated financial statements of the Gruppo SNAI ended 31 December 2010 as well as those of the comparative six months ended 30 June 2010, have been prepared in accordance with the provisions of Consob Resolution No. 15519 of 27 July 2006 and subsequent amendments.

The interim report also highlights in special reports and commentary notes the financial account balances reported in the second quarter of 2011 compared with the corresponding values of the second quarter of 2010, which have been restated standardizing the productive structures of the different periods.

In particular, please note that on 31 January 2011 SNAI S.p.A. acquired control of Teleippica S.r.l. The acquisition was accounted for using the pooling of interest method, applying the backdating of the accounting effects of the acquisition with reference to the costs and revenues of the first half of 2011, thus consolidating from 1 January 2011. The economic values of the first half of 2010 and second quarter of 2010 were restated. The comparison between the values, except where otherwise individually stated, is made with the corresponding balances at June 30, 2010 restated and the second quarter of 2010 restated

### 3. Report on Intermediate Operating Trend of the Company and the Group

#### 3.1 Introduction

The consolidated financial statements of the Gruppo SNAI closed on 30 June 2011 with a loss of 7,525 thousand euro, compared to a loss of 5,379 thousand euro in the first half of 2010, after depreciation and provisions totalling 32,467 thousand euro (29,767 thousand euro in first half 2010 restated).

The statement of accounts of SNAI S.p.A. closed on June 30, 2011 also show a net loss of 6,739 thousand euro (5,087 thousand euro in first half of 2010) after a depreciation and provisions totalling 30,518 thousand euro (25,609 thousand euro in the 1st half of 2010).

The EBITDA for the 1st half of 2011 was negatively affected by non-repetitive costs of 7,287 thousand euro including costs defined as non-recurring by the criteria set out by Consob Resolution No. 15.519 of 27/07/2006 for 1,243 thousand euro and costs deemed "non-repetitive" according to a management point of view for 6,044 thousand euro.

The core operations of the Group shows a positive result with a gross operating margin - EBITDA - amounting to 41,040 thousand euro, an increase over the same period last year (equal to 37,330 thousand euro in the first half of 2010).

At 30 June 2011, revenues reached 284,764 thousand euro (295,694 thousand euro at 30 June 2010 restated).

The management of the first half of 2011 was characterized for the SNAI network as well as at national level except for the lotto, lotteries and newly introduced VLTs, by a contraction of the market in gaming and betting (-9.91%) involving both the trend of sports betting as well as the remote skill games collections, and the gaming machines collection, in addition to the usual decline in horse-based games.

*Values in thousands of euro*

<b>A. NON-RECURRING COSTS as per Consob resolution 15.519 del 27/07/2006 (*)</b>		<b>1,243</b>
Consulting costs	1,243	
<b>B. NON-RECURRING COSTS for management</b>		<b>6,044</b>
Accruals and losses on receivables	5,615	
Adjustments of revenues	273	
Legal Consulting	156	
<b>C. EFFECT ON INCOME BEFORE TAXES (A+B)</b>		<b>7,287</b>

(\*) as come presented in note 35 of the explanatory notes to the condensed semi-annual financial statement as of 30/06/2011

It is noted that the consultancy costs relate to consultancy related to repayment operations of Senior and Junior loans due and repaid on 29 March 2011 as further described in paragraph 3.4.

The provisions and losses on receivables mainly relate to: receivables expired in prior years and not yet cashed for which an increased risk of solvency of the debtor is shown; receivables, already partially written-off, who have been entrusted to the legal office for their forced payment; the loan adjustment of arbitration awards following a number of judgments by ordinary courts, which have resized, to the detriment of the Parent company, the arbitration awards previously formalized; minor payables to AAMS or the managers of SLOT for the calculation of the PREU tax on the gaming flow counted outright and not adequately documented.

The revenues adjustment concerns the reversal of invoices to be issued to non-active or blocked horse racing licences, foreseen contractually but difficult to achieve.

The legal advice concerns charges of legal services performed for the formalization of management agreements with the sales network.

With regard to the values shown and analysed above the Board of Directors believes that these are non-repetitive and extraordinary in their scope, since there will not be an analogous appearance in the activities already in place in the 2nd half of 2011.

## **3.2 The operating environment**

### **3.2.1 The regulatory framework**

Over recent years the gaming and betting segment has been characterized, as is well known, by the introduction of a set of rules and regulations, by the Autonomous Administration of State Monopolies (AAMS), which have significantly innovated the entire industry, adapting it to the contingent needs of the reference market and laying the foundations for further development of the segment.

Over the years more and more attention has been paid to the broader fight against illegal gaming which in the Budget Law 2011 (Legislative Decree 98/2011 converted into L. 111/2011 on 15/07/2011) has provided, in Art. 24, new and additional counter-measures that tend to reinforce the coverage of public gaming, which is based on the concession system; in the Budget Law, space and strength to confront the phenomena of irregular or illegal gaming distribution, as well as tax evasion and money laundering in the gaming industry was given. This objective will be pursued expecting it to become mandatory for credit card companies, banking, financial and postal institutions to report electronically to the Autonomous Administration of State Monopolies, via communications networks, games, betting or event outcome contests with cash prizes in the absence of a concession, authorization, licence or other type of authorising or licensing document or, in any case, in violation of the laws or regulations or the requirements defined by the Administration of Monopolies.

## **3.3 The market trend for games and betting**

### **3.3.1 Main reasons**

It should be highlighted that recently law-making activity by the legislative bodies and the resulting regulation by the Autonomous Administration of State Monopolies (AAMS) has brought to the fore the issues related to the enlargement, modification and implementation of the Games and Betting Market, not only with regard to the measures against illegal gaming and the regulation of previously submerged sectors, but also as a new effective tool for the production of resources for the treasury through the strengthening and expansion of the sales network and the products offered.

Article 24 of the Budget Proposal 2011 (Legislative Decree 98/2011 converted in Law 111/2011 on 15/07/2011) established the parameters for the issuing of the call for tenders (published in the OJEU on 11 August 2011 ID. 2011/S 153-254653 and in the GURI 5th Special series, "Public Contracts", no. 95, 12 August 2011), for the renovation/award of nine-year custody in concession of equipment under paragraph 6a (AWP) to the existing licensees (the current authorizations are due to expire on 31 December 2011) and the new national or community operators that have stringent ethical, technical and economic qualifications. The award/renewal of licenses for AWP machines will permit the installation, only to potential new dealers, also of VLTs (Video Lotteries) from a minimum of 7% to a maximum of 14% of the number of cleared AWP acquired and activated within six months of the date of the award, while the "old" licensees will keep the same VLT licenses previously acquired.

The same proposal also provides for, by 31 October 2011, the publication of a tender for the assignment of nine-year licences for the operation and collection of horse racing and sport betting with respect to the allocation of 5,000 horse racing and sport licences for game points and 2,000 horse racing and sport licences for gaming shops without any geographical limitations except only national locations. The award will place a 25% limit on the total allocation for each dealer, those awarded already in possession of corners (Bersani call for tenders 2006) will have the opportunity to forsake the Bersani licenses not placed (which will be revoked) and replace them with newly acquired ones getting a reduction on the offered purchase price equal to 7% each year until the maturity of the old concession. Currently, SNAI has about 1,300 horse racing corner licenses not yet active which this new call for tenders could give the opportunity to replace with new and as many licenses (horse racing + sports) without territorial location limitations.

With reference to this type of license which is not yet active, more information is provided in

paragraph 8 in the "Evolution of management and events after the close of the semester" where the AAMS rulings under dispute are shown.

### 3.3.2 The SNAI market trend

#### 3.3.2.1 Total bets collected SNAI 2009/2010 and comparison 1st half 2010 and 2011

Following is the data of the collection (gross) for the period, compared with the values achieved in the previous periods.

*Values in thousands euro*

Game or Bet	30.06.2011	30.06.2010	Diff. %	2010	2009
Sport Bets Punti SNAI	704	808	-12,81%	1,329	1,403
Football event outcome contests	6	8	-31,71%	13	20
"Big" Bets	0	1	-21,69%	1	2
<b>SPORTS GAMING</b>	<b>710</b>	<b>816</b>	<b>-13,01%</b>	<b>1,343</b>	<b>1,425</b>
Totaliser Bets	295	363	-18,67%	681	783
Totaliser Odd Bets	6	6	-8,53%	12	14
Fixed Odd Bets	16	18	-10,34%	33	31
Total Horse racing bets SNAI	<b>317</b>	<b>387</b>	<b>-18,13%</b>	<b>726</b>	<b>827</b>
Tris or Ippica Nazionale Bets	<b>112</b>	<b>127</b>	<b>-11,55%</b>	<b>230</b>	<b>273</b>
<b>HORSE RACE GAMING</b>	<b>429</b>	<b>514</b>	<b>-16,50%</b>	<b>956</b>	<b>1,100</b>
<b>Slot SNAI</b>	<b>1,091</b>	<b>1,134</b>	<b>-3,79%</b>	<b>2,279</b>	<b>2,054</b>
<b>VLT SNAI</b>	<b>33</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>
<b>Skill Games SNAI</b>	<b>95</b>	<b>117</b>	<b>-18,69</b>	<b>217</b>	<b>157</b>
<b>TOTAL SNAI</b>	<b>2,324</b>	<b>2,580</b>	<b>9,91%</b>	<b>4,795</b>	<b>4,737</b>

**The source of the SNAI data is the consolle <http://blackhawk/controlli/login.php>**

In the first six months of 2011 the market has assumed an overall contraction of the collections of around 10%; the company has similarly noted an overall drop in its collections which stands at 9.91%.

**Sports betting** shows a decrease of 13.01% over the same period of 2010 mainly due to the inhomogeneity of the gaming programs; the first half of 2010 had in fact benefited from the collection of bets on the World Cup. The average sport betting pay-out as of 30/06/2011 is 79.3%.

**The horse racing segment** records a decrease of 16.5% over the same period 2010; a significantly smaller decrease than the market, which registers a decrease of more than 18% resulting from the high taxation and competition ever more pressing in recent years, and an ample choice of alternative games which are more profitable for the bettor. All the actions developed over the years by the State authorities with respect to lines of strategic direction for the revival of Italian horse racing, which showed among other things, the opportunity of a commitment by the Ministry of Economy and Finance to reduce the rates of taxation and increase the pay-outs to the bettors equating it to that of other betting competitors, have not yet been made operational.

The total value for Gruppo SNAI of the collections generated by **equipment under paragraph 6a (AWP)** in the first half-year suffers a decline of 3.79% over the same period last year.

The Law of Stability 2011, in force since January 1 2011, has, among other things, entrusted the Autonomous Administration of State Monopolies with the creation of a special program of checks, among whose aims is to make a reconnaissance of the distribution over the territory of AWP machines, identifying which and how many they are in excess compared with the limits identified by the quota legislation. The Stability Act 2011 provided for, among other things, the review of the aforementioned legislation on quota subsequently regulated by decree no. 2011/30011/giochi/UD of 27 July 2011 and published on 5 August 2011. Current legislation in the first half provided that, pending the entry into force of new regulations, for

each unit in excess of the current quota limits that are kept installed, the state must be paid the sum of three hundred euros per month (300.00 euro/month), jointly owed by each licensee and each third party in charge of collection.

The new legislation provides for an expansion of the devices under paragraph 6a (slot machines) installed in points of sale with exclusive gaming and similar activities, allowing 3 months to conform to the new provisions.

In the first half the number of devices in operation connected to the SNAI network remained essentially unchanged compared to 31 December 2010; currently 25% of the devices collect gaming within the network of SNAI points of sale; the remaining 75% do the collection in the different commercial enterprises (bars, arcades, etc.).

In the first half of 2011, the **VLT segment** collected 33,192 thousand euro.

At 30 June 2011, the number of devices installed was 1,279 of which 814 were certified operational by the grantor.

The collection through terminals (VLT), launched in the second half of January, is entrusted to the Barcrest gaming platform which suffered teething problems due both to the instability of the system as well as to the under performance of the games which is partly overcome by the installation of version 6.0, installed on the 27 June 2011.

The second approval process of some higher performing games ( e.g. "Super Bet Roulette") has recently been concluded.

After the end of the semester, operations were launched aimed at obtaining, from the licensing body AAMS, the testing for the commissioning of an additional gaming platform which should lead to a significant increase in the number of VLTs by the closing date of the balance sheet.

The electronic collection of remote skill games - "Skill Games" registered 94,745.87 thousand euro in collections which compared to the same period of 2010 shows a decrease of 18.7% points. It should be noted that during 2011, new and more stringent control rules were introduced at a national legislation level on money laundering and remote transactions which at first made more difficult opening gaming accounts and the consequent access to online betting.

On 14 July 2011, the Playtech platform of casino games successfully passed testing. The 15 games (various types of Roulette, Video Poker, Blackjack and other solitary card games) were launched Monday, July 18 in the same way as poker cash.

Further details on the segment are shown in note 3.5.1.

### **3.4 Evolution of the financial situation of the Company and the Group**

#### **3.4.1 Renegotiation of the debt - Extraordinary Financing Transactions**

In the last quarter of 2010 and the first quarter of 2011, the company and the then Parent company SNAI Servizi S.p.A. have been working to raise funds to honour or possibly renegotiate the Senior and Junior loans then existing and to support the expansion of the business of the Company, including the videolotteries.

On 22 January 2011 SNAI Servizi S.p.A. undersigned a contract conditioned for the sale of the entire control package 50.68% held in the subsidiary SNAI S.p.A. under the conditions described below.

##### **3.4.1.1 Description of the sales transaction**

On January 22, 2011 Global Games S.r.l. ("Global Games"), a company jointly owned by (i) Global Entertainment S.A. (whose capital is wholly owned by Investindustrial IV L.P.) and by (ii) Global Win S.r.l. (Controlled by Venice European Investment Capital S.p.A.), has undersigned with SNAI Servizi S.p.A. ("SNAI Servizi") a sales contract as a result of which Global Games, at the occurrence of the conditions foreseen therein, would acquire a controlling interest in SNAI S.p.A. ("SNAI" or the "Issuer") and would promote, as a result of such purchase, mandatory public offer of acquisition (OPA).

Investindustrial IV L.P., and a private closed-end investment fund raised internationally to acquire financial and controlling shares in companies located in southern Europe, mainly in Italy and Spain, in order to facilitate their development and growth. The fund was collected in 2008 and has a duration of 10 years.

Venice European Investment Capital S.p.A. is an investment holding company incorporated under Italian law with mechanisms of commitment and typical draw down of private equity funds. The activity of VEI is aimed at the acquisition of logical holdings in private equity and investment in the infrastructure segment. It has been operational since September 2010 and has over 500 million euro equity available. VEI is controlled by Palladio Finanziaria S.p.A., which designates the majority of the directors and management team.

More specifically, the sale agreement foresaw that Global Games purchases, as it then did, from SNAI Servizi a total of 59,206,903 ordinary SNAI shares, representing a 50.68% stake of the share capital (the "Majority Stake") at a price of euro 2.3646 per share (the "Base Price") as well as a possible price integration that could eventually mature at the time of divestment, in whole or in part, by the investors and that will be equal to a certain percentage of the proceeds of the disinvestment ("Price Integration").

#### Price Integration

The Price Integration will be payable by Global Games whenever, in the 15 years following the purchase of the majority stake, there is the actual receipt (s) by Global Games of any distribution of dividends, interim dividends or reserves deliberated by SNAI in favour of their members, and/or (ii) by Global Games (a) any cash payment for the transfer of SNAI shares forming part of the majority stake or purchased due to the OPA and/or ( b) any cash payment from the sale of any equivalent financial instruments received from by Global Games in return for the transfer of SNAI shares, and/or (iii) by the Investors (a) any cash payment for the direct or indirect transfer of Global Games shares and/or (b) any payment for the sale of any equivalent financial instruments received by the investors in return for the direct or indirect transfer of Global Games shares (such amounts collected, collectively, the "Proceeds").

The Price Integration, if due, will be equal to 9.75% of the proceeds from each action constituting the Majority Stake or made under the OPA, multiplied by the ratio between the Majority Stake and the total shareholding acquired by Global Games from SNAI Servizi and the outcome of the OPA after (x) taxes, and, in case of sale (y) of all the direct costs of the disinvestment and (z) the pro rata share of the sums which may be constrained in favour of the purchaser against any indemnification obligations associated with the sale (up to a maximum of 20% of the payment).

#### Conditions for Suspension

The execution of the sales contract of the controlling interest is subordinate to the following events, among others:

- (i) the issue of permission by the Italian Antitrust Authority (AGCM);
- (ii) the issue of permission by the Autonomous Administration of State Monopolies (AAMS);
- (iii) the stipulation by SNAI, by 21 February 2011 of an agreement to refinance the existing financial debt according to specific conditions and the issuance of the financial resources laid out in the refinancing agreement; and
- (iv) the absence of significant prejudicial effects and/or particularly grave events with respect to SNAI and to the group which it is Parent of, as is the practice in like transactions.

#### Mandatory OPA

In the context of the acquisition of the stake, Global Games promoted, in accordance with Article 106 of Legislative Decree 58/98 (TUF), the public offer for acquisition (OPA) on all ordinary SNAI shares (other than those making up the Majority Stake).

The OPA was launched at a price per SNAI share partly for the cash-book, for an amount per share equal to the Base Price (i.e. Euro 2.3646), and in part by assigning to the OPA members the right to Price Integration coinciding with an equal right of SNAI Servizi under the provisions of the part exchange sale contract of the Majority Stake previously described, or alternatively a comprehensive "All cash" payment of Euro 2.45.

In the case of total adhesion, the total maximum OPA value on SNAI, calculated on the basis of the Base Price, would amount to approximately 136 million euro.

The transaction was financed through venture capital in part contributed by each investor.

On 18 April 2011 Global Games S.p.A. filed with Consob - pursuant to article 102 of Legislative Decree 24 February 1998, 58 (TUF) and Article 37 of the Regulation approved by Consob Resolution No. 11971 of 14 May 1999, and successive amendments (the "Issuers Regulation") - the draft document (the "Offer Document") in relation to the mandatory public acquisition offer (the "Offer") promoted pursuant to Article 106, first paragraph, concerning the TUF No 57,618,082 ordinary SNAI S.p.A. shares listed in the Electronic Share Market, organized and managed by Borsa Italiana S.p.A. with a nominal value of Euro 0.52 each, representing 49.32% of the current share capital of the Issuer and equal to the total number

of Issuer shares less the 59,206,903 shares held by the Tenderer representing 50.68% of the share capital.

The Offer Document has been published at the end of the investigation carried out by Consob pursuant to Article 102, paragraph 4, of the TUF.

#### Outcome of OPA

On 16 June 2011, the deadline for participation to the public acquisition offer launched by Global Games was concluded: the contribution to the offer consisted of 19,285,427 SNAI shares representing 16.508% of the share capital subscribed and paid in equal to 33.471% of the Offer Shares for a total value of 46,852,822.55 euro. The Tenderer has not made, directly or indirectly, any acquisitions related to SNAI shares.

Therefore, summing the shares taken under the Offer to those already held by the Tenderer, the Tenderer holds, at the close of the offer period, 78,492,330 Shares, representing 67.188% of the subscribed share capital and paid-to SNAI.

Since at the close of the Offer, Global Games had a stake of less than 90% of the share capital subscribed and paid of the Issuer, the legal requirement to exercise the right to purchase did not transpire which was provided for by Art. 111 of TUF or for the application of the provisions concerning the obligation to purchase under Article 108, paragraphs 1 and 2 of TUF. In addition, since the legal conditions did not transpire, the SNAI shares were not withdrawn from listing on the screen-based share market organized and managed by Borsa Italiana S.p.A. and, therefore, the Issuer remained listed.

The Base Price (2.3646 euro) and All Cash Payment (2.4500 euro) were paid to the members, depending on the choice made by each of them, against the simultaneous transfer of ownership of the Shares, on 23 June 2011.

#### Shareholders' agreements

The co-investment agreements reached by the Investors contemplate a shareholders' agreement that was signed at the same time as the purchase of the Majority Stake, which requires, among other things:

- permanence constraints on the shares held by them, directly or indirectly, in Global Games;
- prohibition of purchase of SNAI shares by the Investors unless through Global Games;
- the regulation of the appointment of the board of directors and the supervisory board of SNAI;
- licenses and obligations of joint sale of the shares held by the Investors in Global Games or by the latter in SNAI over a medium term time span and, particularly, a joint sale procedure from the third year of investment.

These terms were communicated to the market, pursuant to Article 122 of the Finance Act (TUF), on 3 April 2011 and published in the newspaper "Il Sole 24 Ore" and sent to the market control bodies.

#### **3.4.1.2 Loan Agreement**

SNAI had a Junior and Senior structured debt with an outstanding amount at 31 December 2010 of 228 million euro due to be entirely repaid by 31 May 2011, after the technical extension occurred, and in any case no later than the date of transfer of ownership of the controlling interest of the Company by SNAI Servizi S.p.A. to Global Games S.p.A. which transpired on 29 March 2011.

The agreement described in the preceding paragraph "*3.4.1.1 Description of the part exchange sale*" allowed the company to undersign on 8 March 2011 a contract related to the financing operation having the objective of making available to the company, with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. acting as mandated lead arrangers, of a medium/long-term loan, divided into several tranches, for a total maximum amount of 490 million euro.

The disbursement to SNAI of the funding was conditional on, among other things, the execution of the sale by SNAI Servizi S.p.A. to Global Games S.p.A. of the shareholding in the SNAI capital owned by the first, as stated in the joint communication from SNAI Servizi and Global Games, and the pledge by Global Games of the shareholding in SNAI acquired in favour of the lenders.



With the disbursement of the financing, SNAI had available sufficient financial liquidity to reimburse the financial debt in existence towards the previous lenders Unicredit S.p.A. and Solar S.A. as well as to sustain the development of the business.

As usual in such operations, the financing will be secured by real collateral to be pledged by SNAI on its main tangible and intangible assets.

#### **3.4.1.3 Timetable of the initiatives undertaken by the company and the Group and subsequent developments**

Following are the events/activities aimed at restructuring and renegotiation of the Group's total financial borrowings, which led to the completion of the sales transaction and of the financing.

- A. On 22 January 2011, Global Games S.r.l. has stipulated with SNAI Servizi S.p.A. a sales agreement as a result of which Global Games, with the occurrence of the suspension conditions defined therein, purchased a total of 59,206,903 ordinary SNAI shares, representing a stake of 50.68% of the share capital (the Majority Stake).
- B. On 23 February, Unicredit S.p.A., Deutsche Bank S.p.A. and Banca Imi S.p.A. (the Banks), SNAI S.p.A. and Global Games undersigned a *commitment letter* for the organization and the subscription of a finance contract with the purpose of, among other things, lines of credit sufficient to refinance the previous borrowing of the Company, at terms and conditions defined in the *term sheet* defined therein.
- C. On 7 March 2011, the Italian Antitrust Authority (AGCM) announced its decision to not proceed with an investigation into the operation, in as much as it does not constitute a change in the market share, such that it does not eliminate or reduce competition in a substantial or lasting manner.
- D. On the same date, the Autonomous Administration of State Monopolies (AAMS) issued its approval of the acquisition of the controlling interest of SNAI by Global Games S.p.A.
- E. On 8 March 2011, SNAI S.p.A. and the Banks signed a contract related to a financing operation having the objective of making available to the company, by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. acting as *mandated lead arrangers*, of a medium/long-term financing, divided into several tranches, for a total maximum amount of 490 million euro.
- F. On 29 March 2011, SNAI Servizi S.p.A. and Global Games S.p.A. (formerly Global Games S.r.l.) announced the execution of the contract signed on 22 January 2011; following this event, the controlling package of SNAI S.p.A. was transferred to Global Games S.p.A.
- G. On 29 March 2011, UniCredit S.p.A., Deutsche Bank S.p.A. and Banca IMI S.p.A., pursuant to the loan agreement signed on March 8, disbursed to SNAI S.p.A. 331,75 million euro already used by the Company inter alia for:
  - the full repayment of the Senior and Junior Financing to Unicredit S.p.A. and Solar A.G. of 228 million euro;
  - the payment of past due amounts to the Treasury for 52.3 million euro.

### 3.4.1.4 Terms of Financing

Following are the main terms of the financing contract divided into several tranches as concluded on 29 March 2011:

FACILITY	BALANCE FINANCED (EURO)	DURATION	MATURITY	MEANS OF REPAYMENT	USES	
					DATE	AMOUNT
Facility A	115,000,000.00	6 years	3/28/2017	12 half year instalments starting from 31 December 2011	3/29/2011	115,000,000.00
Facility B	135,000,000.00	7 years	3/28/2018	Bullet	3/29/2011	135,000,000.00
Capex facility	80,000,000.00	7 years	3/28/2018	9 half year instalments starting from 30 June 2014	3/29/2011 4/28/2011	11,750,000.00 23,000,000.00
Revolving facility	30,000,000.00	6 years from first disbursement	-	any use must be reimbursed in the last day of the relative period measures and for the all the duration of the availability of the <i>tranche</i> every amount repaid can be used		
Disposal Facility	70,000,000.00	18 months and a day from the first date of disbursement or in case of extension, up to 7 years and 6 months from the first disbursement	-	Bullet	3/29/2011	70,000,000.00
Acquisition facility	60,000,000.00	7 years from first disbursement	-	11 half year instalments starting from 30 June 2013		-
<b>Total</b>	<b>490,000,000.00</b>					<b>354,750,000.00</b>

The funding tranches are remunerated at the Euribor rate to which will be applied a margin that generally varies from 4.50 to 5% p.a.

As stipulated in the contract terms following the close of the period, an "interest rate swaps (IRS)" contract was undersigned to hedge the interest rate risk as better described in paragraph "8.4 Risk Tools - Hedging."

Among the obligations under the loan agreement there is the adherence to the financial covenants, to be calculated from 31 December 2011.

## 3.5 Ordinary operations of the company in the first half of 2011

### 3.5.1 Objectives and Principal Actions

During the last period, the Parent company - in particular - and the Group - as a whole - have consolidated and improved the offer addressed to dealers and, consequently, to the final customer.

SNAI S.p.A. will continue to support the implementation and maintenance of technologies and services for the public, such as:

- the website both in the disclosure as well as in the wagers acceptance part;
- the acceptance of betting on events based on horse racing, sports and other activities related to the performance arts (Sanremo Festival, national and international competitions, horse racing contests, V7, skill games, online and electronic betting, etc.);
- the interactive acceptance on betting television channels;
- the best definition and extension of the lines of certain products and technological equipment being installed in the new points of sale (electronic posters, self-service terminals, touch screens, etc.);
- improving the performance of the new Betsi terminal;
- improving the collection of telephone and Internet betting;
- the distribution of SNAI Gold cards;
- the new software for better points of sale management, implementation of the software

procedures for the management of centralized industrial and administrative procedures.

The primary objective of SNAI is and has been the realization of the activation of the 5,052 VLT licenses awarded in November 2010 against an investment of 76 million euro.

The company uses the Barcrest platform (supplier of gaming software that has an exclusive partnership with SNAI). In this first half-year of activation the platform suffered some technological start-up problems that have delayed, as already mentioned, the first activation; from June 2011 the company, in collaboration with the same Barcrest, through the installation of additional new software and an expansion of the processing capacity, has improved and enhanced the performance with noticeably improved results.

The first half of 2011 was marked by the consolidation in the Gaming and Betting market of remote skill games, already provided for by the "Bersani" law and then governed by the 2006 Budget Law and a series of AAMS rulings. In 2008 SNAI signed a series of agreements with major international suppliers to enable their customers to access the most popular games. The gaming platforms currently operating mainly are: on-line poker and bingo created by Playtech, a leading international company specializing in this field; backgammon, dominoes, blackjack, poker and gin rummy created by the British company Game Accounts; burraco and Sudoku created by the Italian Giocaonline. SNAI, like most of the operators, started with the poker gaming in the Texas Hold'em and Omaha versions, and subsequently went on to launch five games of Game Accounts platform on 27 August 2009 and finally on 17 November 2009, launched Burraco on the Giocaonline platform. On 11 July the testing for poker cash was successfully concluded which from 18 July has been made available to the bettors.

On 14 July, the Playtech platform of casino games successfully passed testing. The 15 games (various types of Roulette, Video Poker, Blackjack and other solitary card games) were launched Monday, 18 July in the same way as poker cash. The certification of casino games (at the moment only Blackjack and Roulette) of GameAccount is finished. In the past weeks all documentation has been submitted to AAMS in order to also launch the platform on the company website in the near future.

The new Burraco platform, launched on 4 July, is enjoying great success among users.

On 22 August, the launch of new games was made on the Giocaonline platform in the tournament version: Tresetta, Cirulla, Scopa, Briscola and a Casino Blackjack version which will support the roulette on the GameAccount platform.

The testing of the new communication protocol for the online Bingo has been successfully completed and is already in production.

The promotional activities of the skill games were almost exclusively related to poker and were divided into two types: those shared with other platform operators (for example, Fantapoker, a sort of championship teams of 5 players, enjoyed a lot of success), as well as SNAI exclusive, (such as the capability to earn points that can be converted into bonus top-ups).

As a result of an ever increasing competition in the betting segment (both horse racing as well as sports), the Parent company SNAI is pursuing means of analysis and evaluation on the need to also provide for the relocation of operational points of sale.

Transfer operations on the territory will benefit from the announced call for tenders for the allocation of new horse racing and sports points of sale (in issue by 31/10/2011), which, as better shown in section 3.3.1, provides for the exchange of the not yet located Bersani licenses for new licenses without location constraints.

The SNAI brand on one hand and the quality of the services provided on the other, are a solid basis for successfully operating in a market environment.

The promotion of the SNAI brand is on-going at points of sale through the production and distribution of advertising material produced during the advertising campaigns.

In the context of coordinated image, the technological equipment necessary for the optimal functioning of points of sale figures highly, according to high quality and service standards for the collection of bets both live as well as through client licensees to whom the company provides its services.

SNAI has maintained a continuous attention to communication with the customer and the end user supported by external relations and press office activities directed mainly towards the media and the general public.

The daily, weekly, monthly and quarterly communication tools have been developed, which include the sending of circulars dedicated to both the immediate information as well as to exploring in-depth issues such as administrative, legislative, fiscal, etc.; a periodic newsletter

dedicated to the major initiatives undertaken by SNAI, changes in legislation and technology of the industry, and events and sponsorships.

SNAI S.p.A. obtained and maintains the Quality Certification UNI EN ISO 9001:2000 from 10 November 1999. With subsequent additions, currently the quality certification is issued for the computerised services and services supporting the acceptance of horse racing and sports betting, public sale of sport event outcome contests, management of the legal gaming network to which are linked entertainment and amusement machines, design and development of software and computer systems connected to the above activities.

The certification, as a whole, confirms the full accountability and transparency of the entire SNAI S.p.A. supply chain .

In November 2010, the company obtained the ISO 27001 certification for the "Information Security Management System", which certifies the level of definition and application of controlled levels of confidentiality, integrity and availability of corporate information, to protect customer data, of business data as a whole and in accordance with the provisions of law.

The ISO 27001 certification was issued to SNAI by IMQ, an independent certification body among the most respected internationally, regarding the processes of "Collection of the horse racing and sport gaming in a direct acceptance of fixed odds and totaliser betting, sale of event outcome contests based on sport, provision of computerised services for the collection of horse racing and sports betting, management of the networks for the computerised management of legal gaming devices to which are connected devices with cash prizes, management of development and sale of remote skill games with cash winnings, design and development of software systems subservient to the collection and acceptance of the games."

The ISO certification 27001 obtained by SNAI is a recognition since it attests the achievement of the highest international standards regarding the management of information security.

### **3.5.2 Business Plan 2011-2014 and key management actions**

The Business Plan 2011 - 2014, approved by the Board of Directors on 23 March 2011, is based on:

- the development of fixed odds horse racing and sports betting both in the role of licensee and of service provider, continuing the strategic approach defined during 2006;
- the launch and development of the VLTs segment: with the norms of the Abruzzo Decree were introduced on the Italian market the VLT terminals which permit existing licensees of network management of paragraph 6a equipment (AWP) to use such terminals until 2019. The Gruppo SNAI acquired 5,052 licenses with an outlay of 76 million euro, fully paid;
- launch and development of virtual races permitted to licensees online of the Bersani network as well as the activities of casino games and cash games, such new activities are another pillar of the business plan.

The Business Plan also considers a reformulation of the commissions for remuneration for the sales network of horse racing and sports shops based on the collected volumes by each point of sale as well as the reorganization of the management of the distribution network, strengthening and improving the quality of internal resources.

These actions make it seem reasonable that the core business, expanding further, will be able to maintain a position of economic equilibrium and continue to generate adequate cash flows to fulfil the obligations of SNAI S.p.A. and the Group and consolidate the recently introduced activities, maintaining in economic and financial stability the managers of the points of sale who have been entrusted with the marketing operations and sales of products.

The new concessions awarded at the conclusion of Bersani and Giorgetti call for tenders expire 30 June 2016.

Gruppo SNAI has direct ownership of a network betting collection composed of a total more than 5,000 licenses, in addition to the network of third party licensees who make use of third party activities of service provider.

The organisational structure for preparing the multi-year plan has remained the same as the ones prepared for previous periods, adding, in a completely independent manner, a reasonable hypothesis for increasing economic, equity and financial values resulting from the introduction of new VLT operations, of virtual races, and of remote skill games, which will add and contribute to making operative the opening of new points of sale, both in direct

management of and of potential owner customer of the new concessions.

For the expansion and making operative of these activities, the business plan provides for the increment of operations of supervision, checking, homogenisation, and improvement of the efficiency of the sales network through the assumption of direct control of the dedicated structure.

## **3.6 Extraordinary management: significant events**

### **3.6.1 New Acquisitions**

- **Equity acquisition in Teleippica S.r.l.**

On 31 January 2011, with a deed by Public Notary Roberto Martinelli, SNAI Servizi S.p.A. received the irrevocable offer made by SNAI S.p.A. in September 2010 for the acquisition of the 80,5% stake in the capital of Teleippica S.r.l. with the agreement to cede control of the company from 1 January 2011. The sale was made at 11,745 thousand euro, as defined by the negotiation of independent directors and with reference to the appraisal performed by an independent expert. The sale was conditional on the receipt of specific approval by UniCredit S.p.A. which has consented to the transfer of ownership together with the closing of the sale agreement signed on 22 January 2011 between SNAI Servizi S.p.A. and Global Games S.p.A. for the sale by SNAI Servizi S.p.A. of the 50.68% stake in SNAI S.p.A. concluded on 29 March 2011.

### **3.6.2 Appointment of CEO**

On June 1, 2011, the Board of Directors of SNAI S.p.A. co-opted to replace the resigning director Rohan Maxwell with Mr. Stefano Bortoli appointing him Chief Executive Officer of the Company.

Mr. Stefano Bortoli, aged 51, has extensive managerial experience and, before the current appointment, was Group CFO of Lottomatica/GTech, a position held since 2006. During his career he has held numerous other managerial roles among which that of co-general manager and chief financial officer of Alenia Aeronautica, a role held until his entry into the group Lottomatica.

### **3.6.3 Non-competition Agreements**

On 1 June 2011, to protect the orderly development of SNAI's activities and in order to protect its competitive position in the industry, the Board of Directors voted to accept the contract proposals of Messrs. Maurizio Ughi, Francesco Ginestra and Alberto Lucchi (formerly President, Vice President, and Director of SNAI S.p.A. respectively pre-acquisition of the majority stake by Global Games S.p.A.) having as object their non-competition obligations until 29 March 2014.

By way of global and comprehensive compensation for the obligations thereby assumed, SNAI grants Maurizio Ughi, Francesco Ginestra and Alberto Lucchi the gross amount of Euro 4,704,000.00.

### **3.6.4 Cogetech Transaction**

On 22 June 2011 Global Games S.p.A., sent to the Company, as announced in a press release on 6 May 2011, a proposal concerning the acquisition by SNAI S.p.A. of Cogetech Group, composed of companies operating in the area of collection of sports betting and the marketing of public games, including the operational management of the network for the electronic management of legal gaming as well as direct management of AWP devices.

The Board of Directors of SNAI S.p.A. resolved on 24 June 2011 to set and define the negotiations on the possible agreement that will regulate the Cogetech transaction involving one or more independent administrators in the negotiations and the preparatory stage to ensure a complete and timely flow of information in order to put under consideration the negotiated agreements and, ultimately, the approval of the transaction and to select the independent expert to take charge of the preparation of the report referred to in Article 2343, second paragraph, letter b) of the Civil Code.

### 3.7 Gruppo SNAI: Condensed Economic and consolidated financial statements

In the balance sheet statement, the values at 30/06/2011 are compared with the values at 31/12/2010 in thousands of euros, while in the Income Statement and cash flow statements the values of 1st half of 2011 are compared with the values 1st half 2010 in thousands of euros: all the values are prepared in accordance with IAS/IFRS standards.

#### Gruppo SNAI - Consolidated comprehensive income

<i>values in thousands of euro</i>	<b>1st half 2011</b>	<b>1st half 2010</b>	<b>Restated* 1st half 2010</b>
Revenue from sales and services	283,936	287,010	292,685
Other revenue and income	828	3,261	3,009
Change in inventories of finished and semi-finished products	25	176	176
Used raw materials and consumables	(750)	(1,026)	(1,086)
Costs for services and leased assets	(209,332)	(227,245)	(228,573)
Personnel Costs	(16,095)	(13,600)	(14,678)
Other operating expenses	(17,954)	(14,214)	(14,585)
Capitalized internal construction costs	382	382	382
<b>Profit/loss before amortisations, devaluations, financial income/costs, taxes</b>	<b>41,040</b>	<b>34,744</b>	<b>37,330</b>
Depreciation and amortization	(32,073)	(26,242)	(27,900)
Other provisions	(394)	(1,867)	(1,867)
<b>Profit/loss before financial income/costs, taxes</b>	<b>8,573</b>	<b>6,635</b>	<b>7,563</b>
Income and charges from equity investments	8	332	84
Financial income	1,066	1,574	1,537
Financial Charges	(16,994)	(14,878)	(14,909)
<b>Total financial charges and income</b>	<b>(15,920)</b>	<b>(12,972)</b>	<b>(13,288)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>(7,347)</b>	<b>(6,337)</b>	<b>(5,725)</b>
Income taxes	(178)	649	346
<b>Profit (loss) for period</b>	<b>(7,525)</b>	<b>(5,688)</b>	<b>(5,379)</b>
Other components of the comprehensive income statement	0	0	0
<b>Total profit /(loss) for period</b>	<b>(7,525)</b>	<b>(5,688)</b>	<b>(5,379)</b>
<i>Attributable to:</i>			
Income (loss) of the Group for the relevant period	(7,525)	(5,688)	(5,379)
Income (loss) of the third parties for the relevant period	0	0	0
Basic share earnings (loss) in euro	(0,06)	(0,05)	(0,05)
Diluted share earnings (loss) in euro	(0,06)	(0,05)	(0,05)

\* The restated figures include the economic values arising from the consolidation of the company Teleippica S.r.l.

**Gruppo SNAI - Statement of the consolidated capital-financial situation**

<i>values in thousands of euro</i>	<b>30/06/2011</b>	<b>31/12/2010</b>	<b>Restated* 31/12/2010</b>
<b>ASSETS</b>			
<b>Noncurrent assets</b>			
Company owned property, plant and machinery	131,976	132,647	135,561
Assets with finance lease contracts	33,975	37,930	37,930
<b>Total property, plant and equipment</b>	<b>165,951</b>	<b>170,577</b>	<b>173,491</b>
Goodwill	231,605	231,162	231,605
Other intangible assets	214,799	229,846	229,960
<b>Total intangible assets</b>	<b>446,404</b>	<b>461,008</b>	<b>461,565</b>
Equity investments measured at shareholders' equity	1,930	1,962	1,962
Equity investments in other companies	46	542	46
<b>Total equity investments</b>	<b>1,976</b>	<b>2,504</b>	<b>2,008</b>
Prepaid taxes	32,538	30,039	30,097
Other non-financial assets	1,687	1,393	1,394
<b>Total non-current assets</b>	<b>648,556</b>	<b>665,521</b>	<b>668,555</b>
<b>Current assets</b>			
Inventories	2,749	2,860	2,860
Accounts receivable	69,098	66,794	73,916
Other assets	35,577	33,868	34,717
<b>Current financial assets</b>	<b>2,947</b>	<b>22,950</b>	<b>8,975</b>
Cash and cash equivalents	47,264	11,848	11,926
<b>Total current assets</b>	<b>157,635</b>	<b>138,320</b>	<b>132,394</b>
<b>TOTAL ASSETS</b>	<b>806,191</b>	<b>803,841</b>	<b>800,949</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Group portion of Shareholders' Equity			
Share capital	60,749	60,749	60,749
Reserves	193,888	233,426	226,335
Profit (loss) for period	(7,525)	(33,825)	(32,447)
<b>Total Group Shareholders' Equity</b>	<b>247,112</b>	<b>260,350</b>	<b>254,637</b>
Minority interest			
<b>Total Shareholders' equity</b>	<b>247,112</b>	<b>260,350</b>	<b>254,637</b>
<b>Noncurrent liabilities</b>			
Termination benefits	5,424	5,196	5,484
Noncurrent financial liabilities	354,343	36,379	36,379
Deferred taxes	43,673	42,474	42,523
Provisions for future risks and charges	8,621	11,159	11,159
Noncurrent various accounts payable and other liabilities	4,140	5,455	5,455
<b>Total noncurrent liabilities</b>	<b>416,201</b>	<b>100,663</b>	<b>101,000</b>
<b>Current liabilities</b>			
Accounts payable	34,147	53,089	54,502
Other Liabilities	63,372	111,854	112,918
Current financial liabilities	42,993	50,536	50,543
Current portion of long term loans	2,366	227,349	227,349
<b>Total Financial liabilities</b>	<b>45,359</b>	<b>277,885</b>	<b>277,892</b>
<b>Total current liabilities</b>	<b>142,878</b>	<b>442,828</b>	<b>445,312</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>806,191</b>	<b>803,841</b>	<b>800,949</b>

\* The restated figures include the economic values arising from the consolidation of the company Teleippica S.r.l.

## Gruppo SNAI Consolidated Cash Flow Statement

*(values in thousands of euro)*

	<b>30/06/2011</b>	<b>30/06/2010</b>	Restated*
	<b>1</b>	<b>0</b>	30/06/2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit (loss) for period of the Group	(7,525)	(5,688)	(5,379)
Profit (loss) of period of third parties	0	0	0
Depreciation and amortization	32,073	26,242	27,900
Net change in assets (provision) for prepaid (deferred) taxes	(1,291)	(1,355)	(1,360)
Change in provision for risks	(99)	(1,502)	(1,502)
(Capital gains) capital losses for sale of noncurrent assets (including equity investments)	(32)	15	15
Portion of equity investment results measured with equity method (-)	32	(39)	(39)
Net change in noncurrent trade and other assets and liabilities and other changes	(1,608)	1,358	1,357
Net change in current trade and other assets and liabilities and other changes	(71,262)	17,452	13,397
Net change in termination benefits	(60)	(51)	225
<b>CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (A)</b>	<b>(49,772)</b>	<b>36,432</b>	<b>34,614</b>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Investments in property, plant and equipment (-)	(2,069)	(3,333)	(8,783)
Investments in intangible assets (-)	(3,109)	(1,112)	(1,772)
Investments in other noncurrent assets (-)	0	(23)	(23)
Acquisition of equity investments in subsidiaries, net of acquired liquid assets	0	0	(6,658)
Payment collected from the sale of property, plant, equipment, intangible assets and other noncurrent assets	36	7	22
<b>CASH FLOW GENERATED (ABSORBED) FROM INVESTMENT ACTIVITIES (B)</b>	<b>(5,142)</b>	<b>(4,461)</b>	<b>(17,214)</b>
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
Change in financial receivables and other financial assets	6,028	(4,338)	9,932
Net change in financial liabilities	(36,046)	(8,034)	(7,213)
Discharge of loans to acquire concession company branches	(228,000)	(25,263)	(25,263)
Opening loan	354,750	0	0
Change in payables due to BAP extended to acquire concession company branches	(6,480)	(6,380)	(6,380)
<b>CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL ACTIVITIES (C)</b>	<b>90,252</b>	<b>(44,015)</b>	<b>(28,924)</b>
<b>D. CASH FLOW FROM DISPOSED ASSETS/AVAILABLE-FOR-SALE ASSETS (D)</b>			
<b>E. TOTAL CASH FLOW (A+B+C+D)</b>	<b>35,338</b>	<b>(12,044)</b>	<b>(11,524)</b>
AVAILABILITY OF INITIAL NET FINANCIAL ASSETS (INITIAL NET FINANCIAL			
<b>F. BORROWING)</b>	<b>11,926</b>	<b>54,425</b>	<b>54,425</b>
<b>G. NET EFFECT OF TRANSLATION OF FOREIGN CURRENCY ON LIQUIDITY</b>			
<b>H. FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING) (E+F+G)</b>	<b>47,264</b>	<b>42,381</b>	<b>42,901</b>

RECONCILIATION OF FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING):

CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, DETAILED AS FOLLOWS:

Cash and cash equivalents	11,926	54,425	54,425
Bank overdrafts			
Discontinued operations			
	<b>11,926</b>	<b>54,425</b>	<b>54,425</b>

CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, DETAILED AS FOLLOWS:

Cash and cash equivalents	47,264	42,381	42,901
Bank overdrafts			
Discontinued operations			
	<b>47,264</b>	<b>42,381</b>	<b>42,901</b>

\* The restated figures include the equity and economic values arising from the consolidation of the company Teleippica S.r.l.



### **3.8 Covenants**

The existing finance contracts contain, as is usual in this type of financing, a series of obligations for the Company.

SNAI S.p.A., in fact, has pledged to respect the financial parameters agreed in the agreement reached with Unicredit S.p.A., Banca IMI S.p.A., and Deutsche Bank S.p.A. relative to the financing transaction for medium/long-term up to 490 million euro (for more information, the reader is directed to the communication released on 8 March, 2011).

For further details please refer to Note 28 of "EXPLANATORY NOTES TO THE CONDENSED SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS."

## 4. Description of the principal risks and uncertainties that the company and the consolidated companies are exposed to

In compliance with Article 154-ter of Legislative Decree no. 58/98, following is reported the Group's exposure to risks and uncertainties for the first half of 2011. It should be pointed out that the Group has always been particularly attentive to the prevention of risks of any nature that could adversely affect the company's results and the integrity of its equity.

In particular, for the horse racing and sports betting market the Company is managing the location and put into production of the Bersani points that will allow the company to compete with the competition in the segment and expand the business in the second half-year and in subsequent periods.

In the second half of the year, the company will commit itself to the participation to the call for tender to be issued no later than 31 October 2011, for the allocation of new sports and horse-racing shop and points licences which foresees the replacement of Bersani licenced points with new licences to be awarded under conditions to be defined in the call for tender.

Similarly, for the slot machine market, the company is already preparing to participate in the call for tenders for the renewal of authorization licenses due to expire on 31 December 2011; the distribution strategy is also being completed which, based on studies and market analysis, will lead to the maximizing of the profitability of each individual device, through the reallocation of the devices within individual retail outlets that will increase the profitability of the product by limiting the risks resulting from the cannibalization of the VLT (in activation) attracting the interest of customers.

The company is closely monitoring the development of the new VLT segment whose activity is still suffering from some technological issues related to the gaming platform that have slowed the deployment. The direct business areas are involved both in monitoring the progress of the platform, recently implemented with new software and hardware, as well as in finding new business partners with the aim:

of increasing the number of active VLTs;

of monitoring the screening and the potential of each unit in relation to the place of installation;

of minimizing the cannibalization of VLTs against AWP's planning a timely handling of VLTs installed in correlation, as previously mentioned, with the presence of AWP's already active.

The company, after having renegotiated its own debts in March 2011 (see section 3.4.1 "Renegotiation of debt - extraordinary financial transactions") has concluded, with the goal of reducing both the exposure to interest rates fluctuations and consequently the financial expenses, hedging contracts (see paragraph 3.4.1.5 "Risk covering tools - Hedging") completed in the early days of August 2011.

With regard to exchange rate fluctuations, the Group is not subject to risks of foreign exchange rates as it operates and will continue to operate even in the second half-year in the national context.

### 4.1 Risk and uncertainty factors

The Group believes that a system of well-defined policies, processes and controls is fundamental for the effective management of the following main risks which it faces and monitors:

- **Market Risk**

The market risk is the risk that changes in interest rates adversely affect the value of assets and liabilities.

A portion of the debt portfolio of the Group is exposed to changes in market interest rates. Changes in interest rates generally do not generate significant impacts on the fair market value of such debts, but could have a significant impact on the results of operations, business, financial conditions or Group prospects.

- **Credit Risk**

Credit risk is the risk of financial loss arising from a customer or a counterpart not fulfilling their contractual obligations. A significant portion of the group's revenue derive from concessions by the Autonomous Administration of State Monopolies ("AAMS"), resulting in significant concentration of credit risk exposure to customer groups.

Management believes that in the future, a significant portion of its assets and profitability will continue to depend on concessions from AAMS.

- **Liquidity risk**

Liquidity risk is the risk due to a lack of availability of adequate sources of funding for the activities of the Group. The Group's ability to maintain existing contracts at the date of renewal and to invest in new contracts depends on its ability to access new sources of capital to finance these investments.

- **Country Risk**

The country risk is the risk that changes to regulations or laws, or the economy of the country in which the Group operates have negative impacts on the expected return; the Group operates in a national business and generates all its revenue through operations in Italy.

The risks associated with the Group's operations derive, in particular, from increased government regulation of the physical and online gaming and betting sector, from controls or restrictions on cash and online transactions, and from potential political instability. Other economic risks for the national activities of the Group could include inflation, high interest rates, debt default, unstable capital markets and restrictions on direct investment. The political risks include leadership changes, change in government policies, new controls that regulate the flow of money within the country, the government's inability to honour existing contracts, changes in tax laws and corruption, as well as risk aversion.

- **Operational Risk**

Operational risk is the risk that external events and internal factors result in losses. The Group's concessions in Italy, certain contracts and procurement of different services, often require passive or active sureties respectively, to guarantee the performance under those contracts and bind the Group to pay damages in case of breach of contract. Receivables resulting from sureties and compensation for material damage could have negative effects on the results of the Group's operations, business, financial situation or prospects.

- **Judicial Rulings**

Given the nature of its activities, the Group is involved in a series of legal, regulatory and arbitration proceedings involving, among other things, potential assets and liabilities, as well as injunctions by third parties arising from the normal course of its activities. The Group is also the subject of investigations related to its on-going operations. The results of these procedures and similar rulings cannot be predicted with certainty. Unfavourable resolutions of these rulings or significant delays in decisions may have adverse effects on the Group's business, its financial condition and the results of operations. For more information about legal rulings involving the Group, see Note 29 of "EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS" as of 30 June 2011.

- **Relations with the Government**

The Group's activities are subject to extensive and complex government regulation which provides for regulations on the suitability for individual directors, executive and managerial staff, major shareholders and key employees. The Group believes it has developed adequate procedures to meet these regulatory requirements. However, any failure by the Group to comply with or obtain the eligibility requirements may induce the regulators to try to limit the activities of the Group.

The failure of a Group company, or the malfunction of any system or machine, to obtain or maintain a license or request a permit could have a negative impact on the ability of the Group to obtain or maintain required licenses and approvals. Any adverse events could have

significant negative effects on the results of operations, business or prospects of the Group. In addition, there have been, are and may be in the future, various types of checks by the authorities on possible illegal activities connected to racing or related to the award of the same. These checks are usually carried out in secret, so the Group is not necessarily aware of its involvement. The Group's reputation for integrity is an important factor as regards the activities with the licencing authorities: an allegation or suspicion of wrongdoing attributable to the Group, or an extended investigation may have adverse material impact on the economic and financial performance of the Group as well as its ability to maintain existing concessions and contracts or obtain new contracts or renewals. Moreover, the negative publicity caused by such proceedings could have material impact on the Group's reputation, performance, financial and economic conditions, and future prospects.

## 4.2 Major litigation and potential liabilities

Please refer to Note 29 of "EXPLANATORY NOTES TO CONDENSED SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS" as of 30 June 2011, for the analysis of the details of the main civil litigation, tax and contractual liabilities,

## 5. Human Resources and External Relations

The staff size at the end of the first half of 2011 shows an increase in Gruppo SNAI workforce of 208 units compared to 31 December 2010.

The total increase is attributable to:

- entrance into the Gruppo SNAI of the company Teleippica S.r.l. - previously the company was not included in the integral consolidation as it was held at 19.5%;
- to the renewal of fixed-term contracts;
- the new telephone sales business of third party services and products by the subsidiary FASTE S.r.l.;
- stabilization, through direct employment at the Rome headquarters, of the positions of project workers for outbound activities in Festal S.r.l.

The total staff are composed as follows:

<b>Gruppo SNAI</b>			
CATEGORY	30/06/2011	30/06/2010	31/12/2010
Executives	21	20	20
Employees and Management	655	476	456
Workers	101	103	95
<b>TOTAL</b>	<b>777*</b>	<b>599**</b>	<b>571***</b>

\* of which 180 part-time and 15 maternity

\*\* including 66 part-time and 17 maternity

\*\*\* of which 91 part-time and 13 maternity

The Parent company SNAI S.p.A. adopts the national contract for "workers in private engineering industry and installation services," in line with what happens at our main competitors, for staff of Social Shops in Porcari, Capannori, Rome (Via Ghisleri and Portuense) applies the C.C.N.L. of Commerce and the additional protocol for horse racing betting shops.

Among the other operating companies Festa S.r.l. applies the national trade contract (CCNL) and - for outbound activities carried out on the base in Rome - the company signed an agreement with a national trade union; the company Trenno S.r.l. (which operates in the horse racing sector) applies the National Collective Labour Agreement of racecourses, Teleippica S.r.l. applies the national contract of private radio and television agencies and Mac Horse S.r.l. applies the national contract for graphic designers (Industry).

## 6. Health and safety at the workplace

In the 1st half of 2011, the awareness campaign of employees and in general of all the workers who operate within the establishments on security issues in the workplace was continued.

The activity was implemented through the dissemination of posters, notices and circulars of training courses, of a specific disclosure as well as meetings at different levels as required by legislation.

In compliance with the provisions of Legislative Decree 626 of 1994 and Legislative Decree 81 of 2007, further investments were made to improve the adequacy of the facilities and equipment according to the dictates of the specific legislation.

In terms of safety in the workplace, for some years now within the horse racing facilities a mobile emergency first aid unit is maintained in case of an accident during the races or during training.

With the support of the doctors and the commissioned structures as well as the industry medical office in Milan, the program of preventive medicine on the workplace continues. Also being implemented are the measures suggested by the study planned for and commissioned under the Legislative Decree 626 of 19/09/1994, amended and supplemented by Legislative Decree 81 of 2007, on the safety of managed facilities and the accident prevention at work, as required by the application of specific national and European Union laws.

## 7. Relations with Related Parties and Corporate Bodies

With reference to Articles 124 bis TUF, 89 bis Reg. Consob Issuers and Art. IA 2.6 of the instructions of the Borsa Italiana Regulations, the Board of Directors shall conduct the drawing up of the Annual Report on the Corporate Governance system, which among other things, provides information on any transactions with related parties explaining the contents, methods and effects of transactions executed.

Currently, with regards to Gruppo SNAI Companies, the relationships with related parties are represented by contracts of a commercial and financial nature, and for services for administration, financial and tax advice, tax and organization with subsidiaries; the contractually agreed prices refer to prices and market conditions for contracts of a financial nature and the production costs of the services and the performance of sales of services.

The contracts are formalized and billed with semi-annual deadlines, which include the performance of the services rendered by certain subsidiaries in respect of other Group companies, as well as those provided by SNAI S.p.A. to other Group companies, the rendering of services between the operating companies, company rental and rents with which the Parent company SNAI yields in management the Training Centre and the racetracks building complexes to Trenno S.r.l.

The Group provides services for dealers of betting shops and sports agencies, as commented in previous paragraphs.

Following the acquisition of 463 business branches, ex-dealers have undersigned with SNAI S.p.A. a management contract through which they provide services for the collection of bets and the payment of winnings to bettors, obtaining a predetermined compensation.

On 29 April 2011 the new board of directors of the company was appointed.

The controlling shareholder Global Games S.p.A. presented the only list (majority list) filed for the election of the Board of Directors to the shareholders' meeting of 29 April 2011.

Following are the candidates' names included on the list:

- nominated by Investindustrial (50% shareholder of Global Games S.p.A.): Marco Pierettori, Gabriele Del Torchio, Antonio Casari, Francesco Ginestra, Niccolò Uzielli de Mari, Carlo D'Urso;
- nominated by Palladio (50% shareholder of Global Games S.p.A.) the advisors Giorgio Drago, Maurizio Ughi, Gabriele Villa, Roberto Ruozi and Massimo Perona;
- by joint designation of the directors of Global Games S.p.A., the advisors Nicola Iorio and Rohan Maxwell who was replaced by co-option on 1 June 2011, by the current CEO, Stefano Bortoli.

The shareholders' meeting appointed the Board of Directors as presented on the list and further described in paragraph 1 where the composition of the bodies arising within the Council are also described. Prof. Gabriele Villa and the lawyer Carlo D'Urso possess the independence requirements required by law.

As required by law and by statute, the Board of Directors has delegated essentially ordinary authority to the President and the Chief Executive Officer. From time to time, for specific requirements, the Board of Directors grants extraordinary powers to the President and the Chief Executive Officer with power to delegate.

## **8. Evolution of the management and events following the closing of the semester**

Through the mentioned actions undertaken by the directors, as described in the paragraphs of this report, with particular regard to the roll-out phase of the VLT devices, it is reasonable that the core business is able to support the financial commitments undertaken and to achieve and maintain a position of economic and financial equilibrium.

The Company is, in fact, solidly and actively involved in the management of licences for the collection of horse and sports betting besides the now traditional collection of gaming through the concessions acquired since March 2006 and the activity of Service Provider for the collection of bets, for gaming machines and the remote skill games collection business.

The strategy approved at the Board of Directors' meeting on March 23, 2011 for the Business Plan 2011-2014 is now essentially confirmed and the activity of bets collection through VLT machines is starting to record the first positive effects despite the increased time required for testing by the Agency and making operative the gaming machines.

### **8.1 Participation in the procedure for awarding in concession of remote gaming activities**

On 10 August 2011, the Parent company filed the documents required for participation in the "Process for the award in concession for the remote operation of gaming according to Art. 24, paragraph 11 letters a) to f) of Law 7 July 2009 no. 88 "conducted by the Autonomous Administration of State Monopolies by virtue of presidential decrees no. 2011/190/CGV and prot. 2011/8556/giochi/UD adopted pursuant to Article 24, paragraphs 11 to 26 of Law 7 July 2009 no. 88 (so-called Community Law).

Such documentation, which also includes the underwritten licensees proceedings for signature by the Parent company, is aimed at obtaining an additional license for the remote operation of gaming in Art. 24 paragraph 11 letters a) to f) of the Community Law lasting nine years from the signing of the established agreement.

AAMS has already assigned SNAI S.p.A. licence 15215 (provisional code) while waiting to receive notification of the licence countersigned by AAMS and duly registered.

### **8.2 SNAI France - license issue by ARJEL**

SNAI France SAS, a company 100% owned by SNAI S.p.A. has obtained, on 27 July 2011, from Arjel, the Regulatory Authority for Online Games, a five year licence to operate in the French internet gaming market for sports betting. Such license will allow SNAI France to offer fixed odds, live and totaliser betting through its own website.

### **8.3 Liquidation Faste S.r.l.**

On 2 August 2011 the company Faste S.r.l. was placed in voluntary liquidation and was appointed as liquidator Mr. Armando Antonelli.

The company became operational in September 2010 and is still owned by Festa S.r.l. who had purchased the stake from the company Trenno S.r.l.. The company was established with the name Autostarter S.r.l. .

After the sale to Festa and the name change, the company became operational in the attempted telephone sale of products and services.

The Shareholders' Assembly of Faste S.r.l., which has approved the liquidation, has settled the loss for the period as of 30 June 2011 (above the remaining loss carried forward) and reconstituted the share capital; the settlement of the loss (for 157,747.57 euro) and the reconstitution of the share capital (for 50,000.00 euro) occurred through the complete surrender by the only shareholder to the credit granted Faste S.r.l. ( 156,755.07 euro) and the cash payment of the remainder of 992,50 euro.

#### **8.4 Risk covering tools - Hedging**

On 29 July 2011, the Board of Directors of the company has resolved to proceed with the signing of a contract covering the interest rate fluctuation related to the financing granted by UniCredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A.

Pursuant to the Loan Agreement, the Company had in fact committed itself (within the terms of the special Hedging Letter signed by the Company in connection with the Loan Agreement - Hedging Agreements) to the conclusion, within 6 months of the signing, of specific agreements to cover rates :

- with reference to Facility A and Facility B according to the Loan Agreement, the closing date ; and
- with reference to the Capex Facility and the Acquisition Facility according to the Loan Agreement, the first between (i) the end of its period of use (so-called Availability Period) and (ii) the date on which such facilities have been used or discharged entirely.

Taking advantage of Chatham Financial consulting, SNAI undersigned "Interest rate swaps (IRS)" contracts on the initial interest rates for a total of 300 million euros progressing to 135 million euros.

#### **8.5 Provision for forfeiture of licences of some horse racing gaming points awarded upon outcome of the Bersani Call for Tender**

On 4 August 2011, the company received from the Autonomous Administration of State Monopolies - AAMS, an order of forfeiture of 1,310 licences awarded upon completion of the Bersani Call for Tender for the permanent lack of activation.

The company immediately disputed the ruling giving additional and supplementary reasons to the petition already presented to the Lazio Regional Administrative Court in 2009 that had suspended the revocation proceedings in April 2009 on a greater number of licences.

On 5 August 2011, the TAR of Lazio, through its Managing Director, quickly responded accepting the petition for suspension and fixing the Council Chamber date for 1 September 2011.

The residual book value of these licenses amounts to 9.6 million euro as of 30 June 2011.

#### **8.6 CONSOB communication of the start of the investigation due to the sanctioning ruling no. 20110823/2**

On 12 August 2011, the CONSOB communication concerning the start of the investigation was received relating to the sanction ruling no. 20110823/2 under Articles 193 and 195 of Legislative Decree 58/98 for alleged violations of Article 114 paragraph 1 of Legislative Decree 58/98.

CONSOB's dispute concerns the lateness with which the issuer SNAI communicated to the public the existence of a disclosure warning by the auditors on the company's continuity during the Group's condensed consolidated financial statements audit of 30 June 2010.

In cooperation with the legal counsel, the Company is developing a brief and timely arguments in its own defence.

### **9. Evaluation of the directors of the requirements for business continuity**

The interim report of Gruppo SNAI closed on June 30, 2011 shows a loss of 7.5 million euro, net equity of 247.1 million euro, net financial exposure to third parties of 349.5 million euro.

The financial charges incurred during the period amount to 17 million euro. As of 31 December 2010 the Group calculated a final loss of 32.4 million euro (of which 30.2 million euro in financial charges) and the net shareholders' equity amounted to 254.6 million euro and the net financial exposure amounted to 293.4 million euro.

In this context, the so-called Senior and Junior loans, as of 31 December 2010 equal to a nominal 228 million euro were completely discharged by 29 March 2011, after the technical extension, and no later than the date of transfer of ownership of the controlling interest in the Company by SNAI Servizi S.p.A. to Global Games S.p.A., which took place on the same date.

The history of the initiatives undertaken by the Parent Company and the Group are set out in the above paragraph "3.4.1.3 History of the initiatives undertaken by the Company and the Group and subsequent developments."

In the financial statement ended 31 December 2010, it was described how, in light of the ratio between debt and equity, the negative economic results and the approaching deadline for the debt repayment, the Group had long started activities aimed at achieving a situation of financial stability through debt restructuring, in order to obtain less onerous conditions that would allow greater operational flexibility, ensuring on the one hand the continuity of the financial resources needed for the Group's development plans and, secondly, the realignment of the debt deadlines to the cash flow provided by these plans.

With the successful conclusion of the debt renegotiation process, the Group has obtained the continuity of the financial resources necessary to support its development plans and the realignment of the debt expiry dates to the expected cash flows from these plans. It is therefore believed that the expansion of the Group's core business will achieve a position of economic equilibrium and generate adequate cash flows. Please also note that the Group's ability to achieve this equilibrium position is subject to the effective completion of the Business Plan 2011-2014. Based on these considerations, the Directors believe the Group has the ability to continue its operations in the foreseeable future, and have therefore prepared the financial statements on the basis of an on-going concern basis.

## **10. Other information pursuant to Art. 2428 C.C. and Art. 40 Legislative Decree no. 127**

The company does not, directly or indirectly through Gruppo SNAI companies or trust companies or nominees, own shares of the Parent company.

No purchase or sale transaction of shares took place during the first half of 2011 or in the subsequent period up to approval of the consolidated interim report at 30 June 2011.

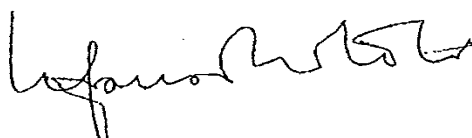
Neither SNAI S.p.A. nor the other companies of Gruppo SNAI have ever granted any loans or guarantees either directly or through an intermediary to purchase or trade in the shares of SNAI S.p.A. or its Parent company.

SNAI S.p.A. and the other Group companies are not particularly subject to exchange rates fluctuations risk.

Gruppo SNAI manages its commercial risk towards its customers internally.

For the Board of Directors

Managing Director  
(Stefano Bortoli)



Milan, 29 August 2011

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*The manager responsible for preparing the corporate and accounting documents Mr. Luciano Garza declares, pursuant to paragraph 5 of Article 154 bis of the Consolidated Finance Act that the accounting information contained in this interim report accurately corresponds to the documented results, books and accounting records.*





**Gruppo SNAI**  
**Interim condensed consolidated financial statements 30/06/2011**

**Approved by the Board of Directors**  
**of SNAI S.p.A.**

***Milan, 29 August 2011***

Gruppo SNAI - Consolidated comprehensive income

		1st half 2011	of which related parties note 34	of which non- recurring note 36	1st half 2010	of which related parties note 34	of which non- recurring note 36	Restated* 1st half 2010	of which related parties note 34	of which non- recurring note 36
<i>values in thousands of euro</i>										
	Notes									
Revenue from sales and services	4	283,936	1,192		287,010	333	2,263	292,685	299	2,263
Other revenue and income	5	828	44		3,261	352		3,009	92	
Change in inventories of finished and semi-finished products	6	25			176	(6)		176	(6)	
Used raw materials and consumables	7	(750)	(1)		(1,026)	(47)		(1,086)	(47)	
Costs for services and leased assets	8	(209,332)	(25,852)	(1,243)	(227,245)	(35,075)	(4,693)	(228,573)	(33,946)	(4,693)
Personnel Costs	9	(16,095)			(13,600)			(14,678)		
Other operating expenses	10	(17,954)			(14,214)			(14,585)		
Capitalized internal construction costs	11	382			382			382		
<b>Profit/loss before amortisations, Depreciations, financial income/costs, taxes</b>		<b>41,040</b>			<b>34,744</b>			<b>37,330</b>		
Depreciation and amortization	12	(32,073)			(26,242)			(27,900)		
Other provisions	13	(394)			(1,867)			(1,867)		
<b>Profit/loss before financial income/costs, taxes</b>		<b>8,573</b>			<b>6,635</b>			<b>7,563</b>		
Income and charges from equity investments		8			332	248		84		
Financial income		1,066	514		1,574	1,034		1,537	994	
Financial Charges		(16,994)	(1,645)		(14,878)	(3,403)		(14,909)	(3,403)	
<b>Total financial charges and income</b>	14	<b>(15,920)</b>			<b>(12,972)</b>			<b>(13,288)</b>		
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>(7,347)</b>			<b>(6,337)</b>			<b>(5,725)</b>		
Income taxes	15	(178)			649			346		
<b>Profit (loss) for period</b>		<b>(7,525)</b>			<b>(5,688)</b>			<b>(5,379)</b>		
Other components of the comprehensive income statement		0			0			0		
<b>Total profit /(loss) for period</b>		<b>(7,525)</b>			<b>(5,688)</b>			<b>(5,379)</b>		
<i>Attributable to:</i>										
Income (loss) of the Group for the relevant period		(7,525)			(5,688)			(5,379)		
Income (loss) of the third parties for the relevant period		0			0			0		
Basic share earnings (loss) in euro	26	(0,06)			(0,05)			(0,05)		
Diluted share earnings (loss) in euro	26	(0,06)			(0,05)			(0,05)		

\* The restated figures include the economic values arising from the consolidation of the company Teleippica S.r.l. For more information see Attachment 2.

## Gruppo SNAI - Consolidated comprehensive income

	Notes	II Quarter 2011	II Quarter 2010	Restated* 2nd Quarter 2010
<i>values in thousands of euro</i>				
Revenue from sales and services	4	127,395	148,632	151,561
Other revenue and income	5	435	335	213
Change in inventories of finished and semi-finished products	6	(3)	161	161
Used raw materials and consumables	7	(284)	(426)	(460)
Costs for services and leased assets	8	(99,981)	(117,880)	(118,675)
Personnel Costs	9	(8,515)	(7,082)	(7,653)
Other operating expenses	10	(11,158)	(6,930)	(7,188)
Capitalized internal construction costs	11	191	192	192
<b>Profit/loss before amortisations, depreciations, financial income/charges, taxes</b>		<b>8,080</b>	<b>17,002</b>	<b>18,151</b>
Depreciation and amortization	12	(16,430)	(13,352)	(14,164)
Other provisions	13	(394)	(1,839)	(1,839)
<b>Profit/loss before financial income/charges, taxes</b>		<b>(8,744)</b>	<b>1,811</b>	<b>2,148</b>
Income and charges from equity investments		(9)	332	84
Financial income		319	875	851
Financial Charges		(9,433)	(7,227)	(7,237)
<b>Total financial charges and income</b>	14	<b>(9,123)</b>	<b>(6,020)</b>	<b>(6,302)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>(17,867)</b>	<b>(4,209)</b>	<b>(4,154)</b>
Income taxes	15	3,843	552	440
<b>Profit (loss) for period</b>		<b>(14,024)</b>	<b>(3,657)</b>	<b>(3,714)</b>
Other components of the comprehensive income statement				
<b>Total profit /(loss) for period</b>		<b>(14,024)</b>	<b>(3,657)</b>	<b>(3,714)</b>
<i>Attributable to:</i>				
Income (loss) of the Group for the relevant period		(14,024)	(3,657)	(3,714)
Income (loss) of the third parties for the relevant period		0	0	0
Basic share earnings (loss) in euro	26	(0,12)	(0,03)	(0,03)
Diluted share earnings (loss) in euro	26	(0,12)	(0,03)	(0,03)

\* The restated figures include the economic values arising from the consolidation of the company Teleippica S.r.l. For more information see Attachment 2.

For transactions with related parties, please refer to section 34 "Related Parties".

<i>values in thousands of euro</i>	<b>30/06/2011</b>	of which related parties note 34	<b>31/12/2010</b>	of which related parties note 34	<b>Restated* 31/12/2010</b>	of which related parties note 34
<b>Notes</b>	<b>1</b>		<b>0</b>		<b>0</b>	
<b>ASSETS</b>						
Noncurrent assets						
Company owned property, plant and machinery	131,976		132,647		135,561	
Assets with finance lease contracts	33,975		37,930		37,930	
Total property, plant and equipment	16 <b>165,951</b>		<b>170,577</b>		<b>173,461</b>	
Goodwill	231,605		231,162		231,605	
Other intangible assets	214,799		229,846		229,960	
Total intangible assets	17 <b>446,404</b>		<b>461,008</b>		<b>461,565</b>	
Equity investments measured at shareholders' equity	1,930		1,962		1,962	
Equity investments in other companies	46		542		46	
<b>Total equity investments</b>	18 <b>1,976</b>		<b>2,504</b>		<b>2,008</b>	
Prepaid taxes	19 32,538		30,039		30,097	
Other non-financial assets	22 1,687		1,393		1,394	
Total non-current assets	<b>648,556</b>		<b>665,521</b>		<b>668,555</b>	
<b>Current assets</b>						
Inventories	20 2,749		2,860		2,860	
Accounts receivable	21 69,098	2,444	66,794	3,104	73,916	3,088
Other assets	22 35,577	7,481	33,868	9,234	34,717	9,234
Current financial assets	23 2,947	7	22,950	22,949	8,975	8,974
Cash and cash equivalents	24 47,264		11,848		11,926	
<b>Total current assets</b>	<b>157,635</b>		<b>138,320</b>		<b>132,394</b>	
<b>TOTAL ASSETS</b>	<b>806,191</b>		<b>803,841</b>		<b>800,949</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Group portion of Shareholders' Equity						
Share capital	60,749		60,749		60,749	
Reserves	193,888		233,426		226	
Profit (loss) for period	(7,525)		(33,825)		(32,447)	
Total Group Shareholders' Equity	<b>247,112</b>		<b>260,350</b>		<b>254,637</b>	
Minority interest						
Total Shareholders' equity	25 <b>247,112</b>		<b>260,350</b>		<b>254,637</b>	
<b>Noncurrent liabilities</b>						
Termination benefits	27 5,424		5,196		5,484	
Noncurrent financial liabilities	28 354,343		36,379	207	36,379	207
Deferred taxes	19 43,673		42,474		42,523	
Provisions for future risks and charges	29 8,621		11,159		11,159	
Noncurrent various accounts payable and other liab	30 4,140		5,455		5,455	
Total noncurrent liabilities	<b>416,201</b>		<b>100,663</b>		<b>101,000</b>	
<b>Current liabilities</b>						
Accounts payable	31 34,147	988	53,089	16,687	54,502	16,697
Other Liabilities	30 63,372	1,858	111,854	224	112,918	224
Current financial liabilities	42,993		50,536	3,968	50,543	3,968
Current portion of long term loans	2,366		227,349	43,205	227,349	43,205
Total Financial liabilities	28 <b>45,359</b>		<b>277,885</b>		<b>277,892</b>	
<b>Total current liabilities</b>	<b>142,878</b>		<b>442,828</b>		<b>445,312</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>806,191</b>		<b>803,841</b>		<b>800,949</b>	

\* The restated figures include the balance sheet arising from the consolidation of the company Teleippica S.r.l. For more information see Attachment 2.

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**
*(values in thousands of euro)*

	Notes	Capital social	Reserves Legal	Reserves premium shares	Reserves as Law 72 of 3/19/1983	Reserves Share swap	Reserves extraordinary	Profits (losses) brought forward	Results of period	Total Equity of Group	Total Equity of third parties	Total Equity
Balance at 01/01/2010		60,749	1,559	211,319	0	0	22,449	8,085	(9,986)	294,175	0	294,175
Total Results at 30 June 2010									(5,688)	(5,688)	0	(5,688)
2009 Losses							(4,495)	(5,491)	9,986	0		0
<b>Balance at 30 June 2010</b>		<b>60,749</b>	<b>1,559</b>	<b>211,319</b>	<b>0</b>	<b>0</b>	<b>17,954</b>	<b>2,594</b>	<b>(5,688)</b>	<b>288,487</b>	<b>0</b>	<b>288,487</b>
Effect of change of scope of consolidation for acquisition of Teleippica S.r.l.								(7,154)	309	(6,845)		(6,845)
<b>Restated Balance as of 30/06/2010</b>		<b>60,749</b>	<b>1,559</b>	<b>211,319</b>	<b>0</b>	<b>0</b>	<b>17,954</b>	<b>(4,560)</b>	<b>(5,379)</b>	<b>281,642</b>	<b>0</b>	<b>281,642</b>
	Notes	Capital social	Reserves Legal	Reserves premium shares	Reserves as Law 72 of 3/19/1983	Reserves Share swap	Reserves extraordinary	Profits (losses) brought forward	Results of period	Total Equity of Group	Total Equity of third parties	Total Equity
Balance at 01/01/2011		60,749	1,559	211,319	0	0	17,954	2,594	(33,825)	260,350	0	260,350
Effect of change of scope of consolidation for acquisition of Teleippica S.r.l.	1							(7,091)	1,378	(5,713)		(5,713)
<b>Restated Balance as of 01/01/2011</b>		<b>60,749</b>	<b>1,559</b>	<b>211,319</b>	<b>0</b>	<b>0</b>	<b>17,954</b>	<b>(4,497)</b>	<b>(32,447)</b>	<b>254,637</b>	<b>0</b>	<b>254,637</b>
Total Results at 30 June 2011									(7,525)	(7,525)		(7,525)
2010 Losses	25			(15,415)			(17,954)	922	32,447	0		0
<b>Balance at 30 June 2011</b>		<b>60,749</b>	<b>1,559</b>	<b>195,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,575)</b>	<b>(7,525)</b>	<b>247,112</b>	<b>0</b>	<b>247,112</b>

(values in thousands of euro)

	Notes	30/06/2011 1	or which related parties note 34	30/06/2010 0	or which related parties note 34	Restated* 30/06/2010 0	or which related parties note 34
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>							
Profit (loss) for period of the Group		(7,525)		(5,688)		(5,379)	
Profit (loss) of period of third parties		0		0		0	
Depreciation and amortization	12	32,073		26,242		27,900	
Net change in assets (provision) for prepaid (deferred) taxes	19	(1,291)		(1,355)		(1,360)	
Change in provision for risks	29	(99)		(1,502)		(1,502)	
(Capital gains) capital losses for sale of noncurrent assets (including equity investments)		(32)		15		15	
Portion of equity investment results measured with equity method (-)	14	32		(39)		(39)	
Net change in noncurrent trade and other assets and liabilities and other changes	22-30	(1,608)		1,358		1,357	
Net change in current trade and other assets and liabilities and other changes	20-21-22-31-30	(71,262)	(11,678)	17,452	(1,456)	13,397	(1,450)
Net change in termination benefits	27	(60)		(51)		225	
<b>CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (A)</b>		<b>(49,772)</b>		<b>36,432</b>		<b>34,614</b>	
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>							
Investments in property, plant and equipment (-)	16	(2,069)		(3,333)		(8,783)	
Investments in intangible assets (-)	17	(3,109)		(1,112)		(1,772)	
Investments in other noncurrent assets (-)	18	0		(23)		(23)	
Acquisition of equity investments in subsidiaries, net of acquired liquid assets	1	0		0		(6,658)	
Payment collected from the sale of property, plant, equipment, intangible assets and other noncurrent assets		36		7		22	
<b>CASH FLOW GENERATED (ABSORBED) FROM INVESTMENT ACTIVITIES (B)</b>		<b>(5,142)</b>		<b>(4,461)</b>		<b>(17,214)</b>	
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>							
Change in financial receivables and other financial assets	23	6,028	8,967	(4,338)	(4,338)	9,932	9,932
Net change in financial liabilities	28	(36,046)	(3,968)	(8,034)		(7,213)	
Discharge of loans to acquire concession company branches	28	(228,000)	(43,205)	(25,263)	409	(25,263)	409
Opening loan	28	354,750		0		0	0
Change in payables due to BAP extended to acquire concession company branches	28	(6,480)	(207)	(6,380)	(4,949)	(6,380)	(4,949)
<b>CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL ACTIVITIES (C)</b>		<b>90,252</b>		<b>(44,015)</b>		<b>(28,924)</b>	
<b>D. CASH FLOW FROM DISPOSED ASSETS/AVAILABLE-FOR-SALE ASSETS (D)</b>							
<b>E. TOTAL CASH FLOW (A+B+C+D)</b>		<b>35,338</b>		<b>(12,044)</b>		<b>(11,524)</b>	
<b>F. AVAILABILITY OF INITIAL NET FINANCIAL ASSETS (INITIAL NET FINANCIAL BORROWING)</b>							
		11,926		54,425		54,425	
<b>G. NET EFFECT OF TRANSLATION OF FOREIGN CURRENCY ON LIQUIDITY</b>							
<b>H. FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING) (E+F+G)</b>							
	<b>24</b>	<b>47,264</b>		<b>42,381</b>		<b>42,901</b>	

RECONCILIATION OF FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING):

CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, DETAILED AS FOLLOWS:

Cash and cash equivalents	11,926	54,425	54,425
Bank overdrafts			
Discontinued operations			
	<b>11,926</b>	<b>54,425</b>	<b>54,425</b>

CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, DETAILED AS FOLLOWS:

Cash and cash equivalents	47,264	42,381	42,901
Bank overdrafts			
Discontinued operations			
	<b>47,264</b>	<b>42,381</b>	<b>42,901</b>

\* The restated figures include the equity and economic values arising from the consolidation of the company Teleippica S.r.l.

Interest expenses paid in the first half of 2011 amounted to approximately 9,801 thousand euro (9,670 thousand euro in the first half of 2010 restated).

The taxes paid in the first half of 2011 amount to approximately 285 thousand euro (in the first half of 2010 taxes were not paid).

## INTERIM FINANCIAL REPORTS AS OF 30 JUNE 2011

### EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Significant accounting standards

##### Scope of consolidation

SNAI S.p.A. (hereinafter also referred to as "parent company") has its registered office in Porcari (LU) – Italy – Via Luigi Boccherini, 39. Attachment 1 presents the composition of Gruppo SNAI.

The consolidated financial statements of Gruppo SNAI at 30 June 2011 include the financial statements of SNAI S.p.A. and the following subsidiaries and associates consolidated on a line-by-line basis:

- *Società Trenno S.r.l. Unipersonale*
- *FESTA S.r.l. Unipersonale*
- *Immobiliare Valcarenga S.r.l. Unipersonale*
- *Mac Horse S.r.l. Unipersonale*
- *Faste S.r.l. Unipersonale (ex Autostarter S.r.l.)*
- *SNAI Olè S.A. Unipersonale*
- *SNAI France S.A.S. Unipersonale*
- *Teleippica S.r.l. Unipersonale*

##### Teleippica Acquisition

With respect to 31 December 2010, the scope of consolidation has changed. On 31 January 2011, with application of the deed Roberto Martinelli Notary, SNAI Servizi S.p.A. accepted the irrevocable offer formed by SNAI S.p.A. in September 2010 for the acquisition of 80,5% equity in the capital of Teleippica S.r.l. The purchase was made at a price of 11,745 thousand euro, as defined by the negotiation of the Advisors and with reference to the appraisal prepared by independent experts. The sale was conditioned on the obtaining of a specific approval by Unicredit S.p.A., which consented to the transfer of ownership together with the closing of the purchase contract stipulated on 22 January 2011 between SNAI Servizi S.p.A. and Global Games S.r.l. (now S.p.A.) for the sale by SNAI Servizi S.p.A. of the equity in SNAI S.p.A. completed on 29 March 2011. On 30 June 2011, the percentage of holding in Teleippica S.r.l. by SNAI S.p.A. amounts to 100%.

The acquisition appears as a transaction between entities under common control. The Group decided to utilize the pooling of interest method for the accounting of this type of transactions. For this reason the acquisition was recorded from 1 January 2011 and the comparative information were restated as if the Company had always been part of the Group.

For a detailed presentation of the book value in the balance sheet of the acquisition, the reader is directed to Attachment 2.

The effects on the shareholders' equity of the Group are detailed below.

	thousands of euro	1 January 2011
<i>A</i>	Total Assets Teleippica S.r.l.	18,065
<i>B</i>	Total Liabilities Teleippica S.r.l.	(11,536)
<i>A - B</i>	Net Shareholders' equity Teleippica S.r.l.	6,529
<i>C</i>	Acquisition price for 80,5% for Teleippica S.r.l.	(11,745)
<i>D</i>	Equity investment Teleippica S.r.l. 19,5%	(496)
<i>C + D</i>	Total Equity investment Teleippica S.r.l.	(12,241)
	Group Net shareholders' equity reserves	(5,713)

Relative to the effects of the acquisition on the cash flow, it should be noted that the acquisition was settled entirely through the intergroup financial current account in the name of SNAI Servizi S.p.A., while the cash contribution from Teleippica S.r.l. as of 1 January 2011 amounted to 78 thousand euro.

## **Other changes in the scope of consolidation**

With respect to 30 June 2010, there have also been the following changes in the scope of consolidation:

- On 18 July 2010 a company named SNAI France SAS with headquarters in Paris, France, with a share capital of 150 thousand euro and 100% held by SNAI S.p.A. was established. The company is not yet active.
- On August 23, 2010, the Company Trenno S.r.l. sold its stake in Autostarter S.r.l. equal to 100% of the shares to Festa S.r.l. On September 3, 2010 the extraordinary general meeting of shareholders changed the company name from Autostarter S.r.l. to Faste S.r.l. and its business purpose;
- On 1 December 2010, the act of merger of the subsidiary Punto SNAI S.r.l. and Agenzia Ippica Monteverde S.r.l. in SNAI S.p.A. was registered at the Chambers of Commerce in Rome and in Lucca. The act of merger was drawn up on 11 November 2010 by deed of Notary Roberto Martinelli in Altopascio (LU). The merger will take effect on 1 January 2010 for accounting and tax purposes.

The financial statements of companies included in the scope of consolidation all have the financial year-end coinciding with December 31, the closing date of the Parent Company. These financial statements are appropriately adjusted and reclassified in order to bring them in line with accounting standards and IFRS evaluation criteria used by the Parent company (reporting package). The financial statements and the reporting package of the subsidiaries consolidated on a line-by-line basis were approved by their respective administrative bodies.

The consolidated financial statements as of 30 June 2011 were approved by the Directors of the parent company at the Board of Directors meeting of 29 August 2011, and hence authorized for publication according to law.

## **Seasonalness**

With respect to the seasonality, it should be noted that the business is not subject to particular oscillations, keeping in mind that in the first and fourth Quarters the sporting events, especially football, on which bets are accepted, are more numerous than in other Quarters.

### **1.1 Accounting standards**

#### **(a) General standards**

The semi-annual abbreviated consolidated financial statement as of 30 June 2011 were drafted according to the IFRS, in effect at the time, issued by the International Accounting Standards Board and approved by the European Commission and has been prepared in form and content in accordance with the disclosure required by 'International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34) and therefore does not include all information required by the annual budget and should be read in conjunction with the annual budget statements for the year ended December 31, 2010.

The drafting criteria, the criteria for evaluation and for consolidation and the accounting standards adopted in the preparation of this consolidated financial statement conform to the accounting standards adopted in the preparation of the financial statement of 31 December 2010, with the exception of the adoption of new or revised standards of International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee as presented below. The adoption of such amendments and interpretations had no significant effect on the financial position or results of the Group.

The term IFRS also includes the reviewed international accounting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC) adopted by the European Union.

#### **(b) Evaluation of administrators with respect to the requirements of business continuity**

The half-year report of Gruppo SNAI closed at 30 June 2011 presents a loss of 7,5 million euro, net shareholders' equity of 247,1 million euro, and a net financial exposure towards third parties of 349,5 million euro. The financial charges sustained during the half year amount to 17 million euro. As of 31 December 2010, the Group had itemized a loss of 32.4 million euro (including financing costs of 30.2 million euro) and the shareholders' equity amounted to 254,6 million euro and the net financial exposure amounted to 293,4 million euro.

In this context, the so-called Senior and Junior financing, as of 31 December 2010, amounting to a nominal 228 million euro were entirely repaid on 29 March 2011, after a technical extension and in any case by the date of the transfer of ownership of the controlling interest of the Company from SNAI Servizi S.p.A. to Global Games S.p.A., which occurred at the same time.

In the Financial statements of 31 December 2010, in light of the relation between debt and assets, of the negative economic results and of the approaching deadline for the repayment of the debt, the Group had, for some time, initiated certain activities aimed at achieving a situation of financial equilibrium, by rescheduling the debt to obtain less onerous conditions to allow greater operational flexibility, ensuring both the continuity of financial resources needed for the development plans of the Group and, the realignment of the debt maturities to the cash flows predicted by these same plans.

In the context of the above activities, the events of the half year will be described.



- H. As indicated in section 3.4.1.1 "Description of the sales transaction" of the interim report on operations, on 22 January 2011, Global Games S.p.A. stipulated a sales contract with SNAI Servizi S.p.A. with the effect that Global Games, when the suspension conditions therein occurred, would acquire a total of 59,206,903 ordinary shares of SNAI, representing an equity holding totalling 50.68% of the share capital (the controlling interest).

The execution of the contract of sale of the Controlling Interest is subordinated to the occurrence of the following events, among others:

- (i) the issuance of no impediment by the Italian Antitrust Authority (AGCM);
  - (ii) the issuance of no impediment by the Autonomous Administration of State Monopolies (AAMS);
  - (iii) the stipulation by SNAI, by 21 February 2011 (later postponed until 7 March 2011), of an agreement to refinance of the existing financial debt according to specific conditions and the disbursement of the financial resources laid out in the refinancing agreement to the Issuer; and
  - (iv) the absence of significant effects prejudicial and/or particularly grave events with respect to SNAI and to the Group which it is parent of, as is the practice in like transactions.
- I. On 23 February, Unicredit S.p.A., Deutsche Bank S.p.A. and Banca Imi S.p.A. (the "Banks"), SNAI S.p.A. and Global Games signed a commitment letter for the organization and the signing of a finance contract with the purpose of, among other things, lines of credit sufficient to refinance the current borrowing of the Company, at terms and conditions defined in the term sheet therein defined.
- J. On 7 March 2011, the Italian Antitrust Authority (AGCM) announced its decision to not proceed with an investigation into the operation, in as much as it does not constitute a change in the market share, such that it does not eliminate or reduce competition in a substantial or lasting manner.
- K. On the same date, the Autonomous Administration of State Monopolies (AAMS) issued its approval of the acquisition of the controlling interest of SNAI by Global Games S.r.l.
- L. On 8 March 2011, SNAI S.p.A. and the Banks signed a contract related to the financing operation having the objective of making available to the Company, by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., which are acting as mandated lead arrangers, of a medium/long-term financing, divided into several tranches, for a total maximum amount of 490 million euro.
- On that date the disbursement to SNAI of the funding was conditional on, among other things, the execution of the sale by SNAI Servizi S.p.A. to Global Games S.r.l. of the shareholding in the capital owned by the first of SNAI, and the pledge by Global Games S.r.l. shareholding in SNAI so acquired in favour of lenders. Furthermore, the finance contract contains several conditions for the suspension of the issuance as is the practice in similar financing transactions, among which, the absence of significant prejudicial effects and/or particularly grave events against SNAI and the Group of which it is parent.

With the disbursement of the financing, SNAI had available sufficient financial liquidity to reimburse the financial debt existing at that time due to financial backers Unicredit S.p.A. and Solar S.A. as well as to sustain the development of the business.

As usual in such operations, the financing will be secured by collateral to be pledged by SNAI on its main tangible and intangible assets.

- M. SNAI S.p.A., as a result of the financing agreements described in the preceding paragraph has obtained a technical extension of the deadline for repayment of existing debt from the current financiers Unicredit S.p.A. and Solar S.A. According to the agreements reached, these existing loans must be repaid together with the execution of the aforementioned acquisition as long as it is by 31 May 2011.

The date of execution of the aforementioned acquisition was 29 March 2011. On the same date, the financing was disbursed, with which SNAI S.p.A. had available the financial liquidity necessary to repay the Senior and Junior loans and to reimburse the other overdue debts as well as sustain the development of the business.

With the positive conclusion of the renegotiation of the financial borrowing, the Group obtained the continuity of the necessary financial means to support its development plans and the realignment of the deadlines of the financing to the cash flows predicted by these same plans. It is deemed, therefore, that the expansion of the core business of the Group will permit the achievement of a position of economic equilibrium and to generate adequate cash flows. It should also be acknowledged that the capacity of the Group to achieve this equilibrium position is subject to the effective operation of the Business Plan 2011-2014 approved by the Board of Directors on 23 March 2011. Based on these considerations, the Directors believe that the Group has the ability to continue its operations in the foreseeable future, and have therefore prepared the financial statement based on the going concern basis.

### **(c) IFRS in effect from 1 January 2011**

As required by paragraph 28 of IAS 8, the IFRS in effect as of 1 January 2011 are indicated and briefly described below, as applied by the Group:

- Revised IAS 24 (revised in 2009) - *disclosure of the financial statement on the transactions with related parties* which simplifies the type of information requested in the case of transactions with related parties which subsidiaries of the State and clarifies the definition of related parties. The standard is applicable from 1 January 2011. At the date of the current financial statement, the Group does not have this type of transactions;

- Revisions to IAS 32 - *Financial Instruments: Presentation*, governs the accounting for the issuance of financial instruments (rights, options or *warrants*) in currency denominations different from that used by the issuer. In the past, these rights were booked as liabilities from financial instrument derivatives; the amendment however, requires that, under certain conditions, such rights be classified as net shareholders' equity regardless of the currency in which the strike price is denominated. The amendment is applicable from 1 January 2011 retrospectively. The adoption of this amendment did not have any significant effects on the financial statement of the Group;

- Revision of IFRIC 14 - *Limits on a defined benefit asset, minimum funding requirements and their interaction* which allows companies which pay in advance a necessary minimum contribution to recognize it as an asset. The amendment is applicable from 1 January 2011. The adoption of this amendment did not have any significant effects on the financial statement of the Group;

- IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments*, provides the guidelines concerning the extinguishing of a financial liability through the issuance of equity instruments. The interpretation establishes that if a company renegotiates the conditions of the discharge of a financial liability and its creditor accepts to discharge it through the issuance of shares in the company, then the shares issued by the company become part of the price paid for the discharge of the financial liability and must be valued at fair value; the difference between book value of the extinguished financial liability and the initial value of the issued equity instruments must be recognized to the income statement for the period. The amendment has been applicable from 1 January 2011. As of the present financial statement, the Group does not have this type of transaction.

Improvements to the IFRS (issued in May 2010)

In May 2010 the IASB issued a series of amendments to the standards: "Improvements to the IFRS". The amendments were applied by the Group beginning in 1 January 2011. The adoption of the following amendments has caused some changes in the accounting criteria which have not had an impact on the financial situation nor on the results.

- IFRS 3 *Business combinations*

The alternatives available for the measurement of non-controlling interests have been amended. Only the components of the non-controlling interest which currently constitute an interest in a portion proportional to the net assets of the acquired company, in the case of liquidation, must be measured either at fair value or at the proportional portion of the net assets of the acquired company. All the other members must be measured at fair value.

- IFRS 7 *Financial instruments: Additional Disclosure*

The amendment is intended to simplify the disclosure regarding the volume of information concerning the accessory guarantees held, as well as improving the qualitative elements which go along with the quantitative ones.

- IAS 1 *Presentation of financial statements*

The amendment clarifies the presentation of the analysis of the components of the total income may be included alternatively in the comprehensive income statement or in the explanatory notes.

- IAS 34 *Interim Financial Reporting*

This amendment requires that additional information regarding the fair value and the change in classification of financial assets be furnished, as well as the changes in potential assets and liabilities in the interim financial statements.

Other modifications linked to the improvements of the IFRS standards listed below did not have any effect on the accounting policies, on the financial situation, or on the Group's performance:

- IFRS 3 *Business Combinations* the modification clarifies that the accounting of the potential fees deriving from business combinations previous to the adoption of IFRS 3 (as modified in 2008). It also clarifies the accounting treatment in context of a business combination with payments based on shares (voluntarily substituted or not substituted).

- IAS 27 *Consolidated and Separate Financial Statements* - application of the rules of transition of IAS 27 (revised 2008) to the subsequently modified standards.

- IFRIC 13 *Customer Loyalty Program* - In determining the fair value of awards, an entity must consider discounts and incentives offered to customers who would otherwise not participate in loyalty programs standards.

The schemes adopted by the Gruppo SNAI for the interim period ending 30 June 2011 have not changed from those used at 31 December 2010, as compared to those of 30 June 2010 a reclassification of capitalized internal construction

costs from the item "Capitalisation of internal construction costs" was made to the new entry "Capitalized internal construction costs" included in cost reduction.

It is worth recalling that in the first six months of 2011, in the year ended December 31, 2010 and in the first half of 2010, no outstanding transactions to be directly accounted in shareholders' equity were carried out.

#### **(d) Financial Statements Representation**

The schemes adopted by the Group break down as follows:

##### **Overview of the consolidated capital-financial situation**

The presentation of the statement of the capital-financial position occurs through the distinct exposure between current and non-current assets, and the current and non-current liabilities, and for each asset and liability entry the amounts that are expected to adjust or recover within or beyond 12 months from the reference date of the accounting situation.

##### **Consolidated comprehensive income statement**

The total income statement shows the entries per category, as it is considered to provide more explanatory information.

##### **Report of the Changes in the Net Consolidated Shareholders' Equity**

The scheme of the changes in the equity highlights the overall result of the period, the effect, on each item of equity, of the accounting changes and of the corrections of errors in the manner required by the accounting treatment set forth by IAS 8. Moreover, the scheme presents the balance of accumulated profits or losses accumulated at the beginning of the year, the movements of the year and at the time of the balance.

##### **Consolidated Cash Flow Statement**

The cash flow statement presents the cash flows of operating, investment and financial activities. The cash flows of operating activities are represented by the indirect method, where the profit or loss for the year or period is adjusted for the effects of non-cash transactions, any deferrals or accruals of previous or future receipts or operating payments, and income or cost items connected with cash flows from investment or financial activities.

With respect to what was published in the consolidated financial statements as of 31 March 2011 a reclassification from "Other provisions" was made to the entry "Revenues from sales and services" for 199 thousand euro, in order to improve the exposure of the income statement .

## **2. Agreements for concession services**

Gruppo SNAI operates in the market of the collection of games and betting, which mainly include sports and horse betting, the AWP (formerly new slots) and videolotteries as well as remote skill games. This market is regulated by the State authorities through the issuance of licenses.

The Group has created its own network of bets collection through the initial acquisition, in 2006 of 450 company branches, corresponding to as many sports and horse-racing licenses for the collection of bets. Subsequently, SNAI acquired some other licenses. Following the creation of this network, the Group then participated in the calls for tender issued subsequently by the State authority, expanding in this way both the bet collection network and the typology of games on which to make the collection. With the participation in the call for tenders for the awarding of licenses for opening new points of sale, in accordance with Legislative Decree 223 of 4 July 2006 (so-called Bersani), SNAI was awarded licenses for the collection of horse-racing and sports betting. In particular, a sports concession with the payment of acquired licences for 67.8 million euro (342 sports shops and 864 sports corners) and a horse racing concession with payment of acquired licences for € 45.6 million (99 horse racing shops and 3,787 horse racing corners). Furthermore, the company was awarded the concession for the remote horse betting with the payment for an acquired license of 0.3 million euro and the concession for remote sport gaming with the payment for an acquired license for 0.3 million euro.

Further, in 2009, A.I. Monteverde S.r.l., today incorporated in SNAI, participated in the so-called Giorgetti call for tenders called by AAMS for 3,000 horse-racing concessions and was awarded 303 licenses for horse-racing shops.

The SNAI Group holds the following licenses:

- **1 "Concession for assignment of activation and operation of the computerised management network for legal gaming through entertainment machines as well as connected activities and functions".**  
Expiration: no later than 31 December 2011 according to an additional agreement signed by SNAI S.p.A. and AAMS on 28 September 2010 pursuant to Art. 2 paragraph 2 of Law Decree 40/2010 converted with amendments by Law 73/2010. Pursuant to Article 12, paragraph 1, letter l of the Law Decree 39 of 28 April 2009 (so-called Abruzzo Decree), of Art. 21 of Law Decree 78 of 1 July 2009 (so-called Anti-crisis Decree) and of Art. 5 of management decree prot. 1079/CGV of 15 September 2009 with the current contractors (and therefore also with SNAI) a new concession will be stipulated with a duration of 9 years on the condition that they respect the conditions set out in

Art. 5 of the management decree prot. 1079/CGV of 15 September 2009. As of today, SNAI S.p.A. respects those conditions.

- 228 **"Concessions for the marketing of fixed odds betting on sporting events other than horse racing and non-sporting events"**, due to expire 30 June 2012. These concessions are also permitted to accept event outcome contests by virtue of Management decree prot. 2007/43192/Giochi/UD of 13 December 2007, making SNAI also a "Bersani" concessionaire.
- 100 **"Concessions for the marketing of totaliser and fixed odds betting on horse-racing"**, due to expire 30 June 2012. These concessions are also permitted to accept event outcome contests by virtue of Management decree prot. 2007/43192/Giochi/UD of 13 December 2007, making SNAI also a "Bersani" concessionaire.
- 1 **"Concession to conduct public gaming as per article 38, paragraph 4 of the Decree Law 223 of 4 July 2006 converted with modifications and integrations by Law 248 of 4 August 2006, published in supplement 183/L to the Official Gazette of the Republic of Italy no. 186 of 11 August 2006"**. The purpose of this concession is the activities and functions for conducting public gaming for horse races, through the activation of distribution networks and related management. The public gaming according to the concessions described above are:
  - a. totaliser horse racing bets;
  - b. fixed odd horse racing bets;
  - c. totaliser bets;
  - d. sports event outcome contests ("concorsi pronostici");
  - e. totip;
  - f. Ippica Nazionale;
  - g. remote skill games;
  - h. all other public gaming based on horse racing, which AAMS deems, at any time, to want to market through the network of horse racing shops and/or network of horse racing points and/or network of remote horse racing.

The public gaming described above, which can be marketed by each distribution network includes:

- a. with reference to the network of horse racing shops, those under letters a), b) c) d), e) f), h);
- b. with reference to the network of horse racing points, those under letters c), d), e), f), h);
- c. with reference to the network of remote horse racing, those under letters a), b) c) d), e) f), g), h);

The expiration date of the concession is scheduled for 30 June 2016 based on the AAMS Directorial Decree of 7 September 2007 prot. 2007/49/R/Giochi/UD

This concession was the object of the integration procedure according to Article 24, paragraphs 1 to 26 of Law 88 of 7 July 2009, of the management decree prot. 2011/190/CGV and prot. 2011/8556/giochi/UD, and at the outcome, a new concession code for the exercise of public remote gaming for horse-racing was awarded, with a unaltered expiration of 30 June 2016.

- 1 **"Concession to conduct public gaming as per article 38, paragraph 2 of the Decree Law 223 of 4 July 2006 converted with modifications and integrations by Law 248 of 4 August 2006, published in supplement 183/L to the Official Gazette of the Republic of Italy no. 186 of 11 August 2006"**. The purpose of this concession are the activities and functions for conducting public gaming for events other than horse races, through the activation of distribution networks and related management. The public gaming according to the concessions described above are:
  - a) fixed odd bets;
  - b) totaliser bets;
  - c) sports event outcome contests ("concorsi pronostici");
  - d) totip;
  - e) Ippica Nazionale;
  - f) remote skill games;
  - g) all other public gaming based events other than horse racing, which AAMS may deem at any time to want to market through the network of sports gaming shops and/or network of sports gaming points and/or network of remote sports gaming.

The expiration date of the concession is scheduled for 30 June 2016 as per AAMS Directorial Decree of 7 September 2007 prot. 2007/49/R/Giochi/UD.

This concession was the object of the integration procedure according to Article 24, paragraphs 1 to 26 of Law 88 of 7 July 2009, of the management decree prot. 2011/190/CGV and prot. 2011/8556/giochi/UD, with the simultaneous extension of Bingo gaming and at the outcome, a new concession code for the exercise of public sports gaming and remote Bingo was awarded, with an unaltered expiration of 30 June 2016.

- 1 **"Concession for the exercise of a physical network of public games according to Art. 1-bis of Law Decree 149 of 25 September 2008 converted with modifications by Law 184 of 19 November 2008, as modified by Art. 2 paragraphs 49 and 50 of Law 203 of 22 December 2008"**. This concession has the joint business purpose of public games, through the activation of a network of gaming shops and the related operation. The public gaming according to the concession described above are:
  - a) totaliser horse racing bets;
  - b) fixed odd horse racing bets;
  - c) sports event outcome contests ("concorsi pronostici");
  - d) horse racing based pools named V7, referred to in Article 1, paragraph 87 of Law 27 December 2006, No 296 (Finance Act 2007);
  - e) betting on horse racing according to Article 1, paragraph 498 of Law December 30, 2004, No 311.

The expiration of the licence is scheduled for 30 June 2016.

Also in the process of attribution by AAMS are the following:

- 1 **"Concession for the exercise of public games as per Art. 24, paragraph 11, letters A to F, of the Law 88 of 7 July 2009"**. This concession covers the activities and functions for the exercise by remote collection, with the exception of collection in public places with equipment that will allow electronic participation, of the following public games:
  - a) sports betting;
  - b) Horse race betting;
  - c) sports and horse-racing event outcome contests;
  - d) Ippica nazionale games;
  - e) skill games, including card game tournaments;
  - f) Bingo.

The betting on simulated events, fixed odds games of chance, card games different from tournament, the fixed odd bets with direct interaction between players, as well as the latest formulations of bingo games, will be active, in favour of the those have the right, as soon as the relative gaming regulation is definitive.

The duration of the concession is 9 (nine) years beginning from the date of the stipulation.

### 3. Operating Segments

The segment information is presented according to "operating segments". The segment is based on the management structure and internal reporting system of the group. Intersegment transfers are made at market conditions. Here, the value of total assets, for each segment subject to disclosure, is not reported as requested by IFRS 8 "Operating Segments", as the periodic reporting for the operational management does not include this type of capital information.

Segment profits include elements directly attributable to a segment or reasonably attributable to a segment for the overhead costs shared across multiple segments.

The Group operates in the following main areas:

- betting services;
- horse race track management;
- concessions;
- television services.

Specifically the group's activity has been defined as follows:

**Betting Services:** this segment merges activities connected with the computerised services supplied to bet collection points, and for collection of event outcome contest bets; these activities are substantially managed by the company SNAI S.p.A. for the part related to the gaming and betting segment, Festa S.r.l. and Mac Horse S.r.l.;

**Horse racetrack management:** this segment merges activities connected with horse racetrack management, both in terms of real estate management, and organisation of races; these activities are managed by the companies Trenno S.r.l., Immobiliare Valcarenga S.r.l. and SNAI S.p.A. for the real estate segment.

**Concessions:** this segment merges the activities connected to the management of horse racing and sports concessions, acquired beginning in 16 March 2006, those that SNAI S.p.A. was awarded with the call for tenders issued with the so-called Bersani decree and they began to operate towards the end of the second Quarter of 2007, and the licenses that Agenzia Ippica Monteverde S.r.l. (now merged in SNAI S.p.A.) was awarded was the so-called "Giorgetti" call for

tenders; as well as the activities connected to the assignment of the concession for the activation and operation of the network for the computerised management of legal gaming using entertainment machines as well as related activities and functions" (slot machines and videolottery), also the activity relative to skill games;  
Television Services: this segment includes the activities connected to television services. These activities are managed by Teleippica S.r.l.

The following report furnishes information relating to the contribution of consolidated values of the activities:  
for collection of bets/games and of services connected to the segment named "betting services";  
for the collection of the bets in the horse racetracks owned by the Group and for the connected activities relating to their management "management of horse racetracks",  
for the owned horse racing and sports concessions, the concession of the computerised network of equipment and devices provided for in Art. 110 paragraph 6 of T.U.L.P.S. (slot machines - AWP - and videolottery), as well as the activity relative to remote skill games, named "concessions";  
television and radio named "television services".

The segment result consists of the segment revenues and all the costs directly or indirectly attributable to the aforementioned.

To the main areas are not ascribed the revenues from the sale of software and technology, those from setups and other revenues not included in the three activities specified; hence the costs linked to the revenue previously mentioned are not attributed to specific segments, in addition to the overhead and financial costs were not attributed to three main activities, but to the governance of the whole enterprise.

The segment "concessions" includes all the bets, both fixed odds (in which the bank is in the hands of the licensee) as well as the totaliser bets (in which the bank is the hands of the Ministry of Finance), accepted in the directly managed BAPs (bet acceptance points).

For fixed odd bets the risk is of the licensee since it has the obligation to pay winnings and taxes, while for totaliser bets the licensee does not hold the risk since it is due a percentage of its movement.

#### 1st half 2011

INCOME STATEMENT BY BUSINESS SEGMENT														
	Betting Services		Horse racetrack manager		Concessions		Television services		Others		Eliminations		Total Consolidated	
	I Half 11	I Half 10 Restated*	I Half 11	I Half 10 Restated*	I Half 11	I Half 10 Restated*	I Half 11	I Half 10 Restated*	I Half 11	I Half 10 Restated*	I Half 11	I Half 10 Restated*	I Half 11	I Half 10 Restated*
(values in thousands of euro)														
Revenues by segment	11,761	13,204	9,814	10,645	257,098	265,526	5,871	5,718	220	601	0	0	284,764	295,694
Intersegment revenues	2,130	4,212	239	252	0	0	1,104	1,076	416	606	(3,889)	(6,146)	0	0
Operating Results	3,723	8,846	(1,974)	(990)	5,774	4,667	1,889	927	(839)	(5,887)	0	0	8,573	7,563
Results per share	0	0	6	57	0	0	0	0	2	27	0	0	8	84
Financial income (charges)	(17)	(150)	(82)	(88)	(9,273)	(13,897)	87	154	(6,643)	609	0	0	(15,928)	(13,372)
Income taxes													(178)	346
Profit (loss) for period													(7,525)	(5,379)
Operating Results contain:														
Amortisations and Depreciations	(957)	(332)	(2,199)	(2,192)	(27,653)	(23,666)	(1,227)	(1,658)	(37)	(52)	0	0	(32,073)	(27,900)

The difference of the operating performance of the segment "Betting services" is essentially due to: the provision for bad debts and risks for 957 thousand euro, to the loss on receivables for 624 thousand euro, greater depreciations for 625 thousand euro and decreased intersegment revenues of 2,082 thousand euro due to the merger of A.I. Monteverde S.r.l. in SNAI S.p.A.

In particular, among the revenues of the concessions segment, it should be noted that in the first half of 2011, net revenues of the collection of fixed odd and totaliser sports and horse-racing bets amount to 83,945 thousand euro (in the first half year of 2010 they were 81,648 thousand euro), the revenues related to slot machines are 136,443 thousand euro (they were 141,616 thousand euro) and the net revenues of skill games totalled 5,945 thousand euro (they were 8,190 thousand euro); for more information on the composition of revenues the reader is referred to note 4.

#### 2nd Quarter 2011

	Betting Services		se racetrack manager		Concessions		Television services		Others		Eliminations		Total Consolidated	
	II Quarter 11	II Quarter 10 Restated	II Quarter 11	II Quarter 10 Restated	II Quarter 11	II Quarter 10 Restated	II Quarter 11	II Quarter 10 Restated	II Quarter 11	II Quarter 10 Restated	II Quarter 11	II Quarter 10 Restated	II Quarter 11	II Quarter 10 Restated
<i>(values in thousands of euro)</i>														
Revenues by segment	5,719	8,378	5,436	6,060	113,801	134,246	2,932	2,955	(58)	135	0	0	127,830	151,774
Intersegment revenues	1,075	2,101	129	134	0	0	561	540	202	314	(1,967)	(3,089)	0	0
Operating Results	874	4,728	(490)	(345)	(9,636)	2,962	924	336	(416)	(5,533)	0	0	(8,744)	2,148
Results per share	0	0	(11)	57	0	0	0	0	2	27	0	0	(9)	84
Financial income (charges)	47	(63)	(41)	(48)	(2,390)	(6,673)	(5)	81	(6,725)	317	0	0	(9,114)	(6,386)
Income taxes													3,843	440
Profit (loss) for period													(14,024)	(3,714)
Operating Results contain:														
Amortisations and Depreciations	(493)	(160)	(1,111)	(1,109)	(14,191)	(12,058)	(616)	(812)	(19)	(25)	0	0	(16,430)	(14,164)

In particular, among the revenues of the concessions segment, it should be noted that in the second Quarter of 2011, net revenues of the collection of fixed odd and totaliser sports and horse-racing bets amount to 29,816 thousand euro (in the second Quarter of 2010 they were 44,784 thousand euro), the revenues related to slot machines are 66,157 thousand euro (they were 70,725 thousand euro) and the net revenues of skill games totalled 2,450 thousand euro (they were 3,488 thousand euro); for more information on the composition of revenues the reader is referred to note 4.

## Notes on the main items of the consolidated comprehensive income

It should be remembered that on 31 January 2011 SNAI S.p.A. acquired control of Teleippica S.r.l. The acquisition was recorded with the pooling of interest method, applying the book backdating of the effects of the acquisition also with reference to the costs and the revenues of the first half of 2011, consolidating, as a consequence, from 1 January 2011. The economic values from the first half of 2010 and the second Quarter of 2010 are restated. For more information the reader is directed to Attachment 2.

The comparison between values, which are always expressed in thousands of euros, except in cases which are individually and differently annotated, is done with the corresponding balances at June 30, 2010 restated and with the second Quarter of 2010 restated.

### 4. Revenue from sales and services

The amount of revenue from the sales and services of the first half of 2011 amounted to 283,936 thousand euro against 292,685 thousand euro, and is detailed as follows:

<b>2nd Quarter 2011</b>	<b>Restated 2nd Quarter 2010</b>	<b>thousands of euro</b>	<b>1st half 2011</b>	<b>Restated 1st half 2010</b>	<b>Change</b>
29,816	44,784	Net revenues from takings from fixed odd and reference sports and horse racing betting	83,945	81,648	2,297
10,653	12,941	Revenues from totaliser horse racing bets	22,435	26,583	(4,148)
1,942	2,132	Commissions on horse racing totaliser and Ippica Nazionale (former Tris)	3,870	4,190	(320)
68	103	Revenues from contests and pools	200	295	(95)
66,157	70,725	Revenue from Slot Machines	136,443	141,616	(5,173)
509	0	Charge backs to managers for contingent fees	1,534	0	1,534
2,584	0	Net revenues from Videolottery	3,307	0	3,307
2,450	3,488	Net revenues from Skill Games	5,945	8,190	(2,245)
3	3,001	Revenue from exclusive SNAI point coordinators	3	3,189	(3,186)
1,267	1,748	Revenue for bet collection services	3,012	3,788	(776)
133	15	Revenue from Customer Computerised bet collection services	342	245	97
377	1,055	Corner customer services	742	1,320	(578)
1,399	1,338	Revenues from exercising licenses	2,634	2,981	(347)
544	0	Revenues from on-line bingo services	1,143	0	1,143
691	1,014	Revenues from assistance contracts and technical activities	1,553	1,446	107
28	36	Revenues from SNAI CARD and Gold Circuit services	63	78	(15)
3,475	4,077	Revenues for bet management at horse racetracks	6,458	7,364	(906)
767	706	Horse racetrack and real estate management	1,363	1,279	84
3,272	3,285	Revenues from television services	6,328	6,164	164
48	43	Compensation for satellite distribution	87	79	8
29	36	Revenues from advertising campaigns	58	70	(12)
21	69	Revenues from outfitting and technology sales	61	383	(322)
1,162	965	Other services and sales to third parties	2,410	1,777	633
<b>127,395</b>	<b>151,561</b>	<b>Total</b>	<b>283,936</b>	<b>292,685</b>	<b>(8,749)</b>

The net revenues from the collection of the fixed odd and reference sports and horse bets which are summarized net of the winnings, the reimbursements, of the Single Tax and of the UNIRE levy, amount to 83,945 thousand euro (+2,81%), versus 81,648 thousand euro of the first half of 2010. This result derives essentially from the combined effect of the decrease in the percentage of winnings paid to bettors (pay-out) in the presence of a decrease in betting volumes, both in fixed odd sports betting (-10,7% with respect to a market contraction of 11,7%) and in fixed odd and reference horse betting (-11,7%).

For fixed and totaliser odd bets the concession holder assumes the risk (bank).



Following are further details about the entry "Net Revenues from sports and horse racing bet collection based on fixed odds and reference" that highlights the entries for the winnings, refunds and related taxes.

<b>2nd Quarter 2011</b>	<b>2nd Quarter 2010</b>	<b>thousands of euro</b>	<b>1st half 2011</b>	<b>1st half 2010</b>
207,579	251,165	Revenue from Fixed Odd Sports Bets	494,347	553,452
(170,266)	(197,255)	Winnings and Reimbursements for Fixed Odd Sports Bets	(392,157)	(450,106)
(8,332)	(9,905)	Single Tax on Fixed Odd Sports Bets	(19,825)	(22,222)
<b>28,981</b>	<b>44,005</b>	<b>Net Fixed Odd Sports Bets</b>	<b>82,365</b>	<b>81,124</b>
8,584	9,630	Revenue Fixed and Totaliser Odd Horse racing bets	17,379	19,679
(6,663)	(7,620)	Winnings and reimbursements fixed odds and Reference horse racing	(13,613)	(16,664)
(357)	(405)	Horse Racing FO and TO Single Tax	(719)	(819)
(729)	(826)	Horse Racing Withholding	(1,467)	(1,672)
<b>835</b>	<b>779</b>	<b>Net Fixed Odd and Totaliser Odd Horse Racing Bets</b>	<b>1,580</b>	<b>524</b>
<b>29,816</b>	<b>44,784</b>	<b>Total net revenues from the collection of fixed odd and totaliser sport and horse racing betting</b>	<b>83,945</b>	<b>81,648</b>

The pay-out for sports betting registered an appreciable improvement of approximately 79,3% versus 81,3% of the same period in 2010: the value of the first half of 2011 is projected with the historical trend of years prior to 2010.

In the first half of 2011, as in previous periods, the net revenues from the collection of horse-racing and sports betting based on fixed odds and reference also include net revenues from fixed odds sports betting accepted electronically (remote gambling) for 8,527 thousand euro (11,348 thousand euro in first half of 2010).

In the second quarter of 2011, as in previous periods, the net revenues from the collection of horse-racing and sports betting based on fixed odds and reference also include net revenues from fixed odds sports betting accepted electronically (remote gambling) for 2,888 thousand euro (5,846 thousand euro in 2nd Quarter 2010).

The revenues from totaliser horse-racing betting amounts to 22,435 thousand euro versus 26,583 thousand euro of the first half of 2010 (-15,60%); they represent a percentage on the volume of bets collection fixed by law and include 1,002 thousand euro of remote gaming (1,384 thousand euro in the first half of 2010).

In the second quarter of 2011, the revenues from totaliser horse-racing betting amounts to 10,653 thousand euro versus 12,941 thousand euro of the 2nd Quarter of 2010 (-17,68%); they represent a percentage on the volume of bets collection fixed by law and include 455 thousand euro of remote gaming (584 thousand euro in the 2nd Quarter of 2010).

The revenues derived from games based on horse-racing (which include the revenues for the management of bets at the racetracks) have decreased with respect to the first Quarter of the previous period by 14,1%. The movement of games based on horse-racing at the national level registered, in the half year, a decrease in movement greater than 18% with respect to the same period of 2010.

The horse-racing betting continues to be influenced by the competition of the other betting present in the market which provide the bettor a higher return.

Revenues deriving from the concession for the management of the network of entertainment machines (Slot Machines) booking a total of 136,443 thousand euro, are calculated as a percentage on the movement generated by slots. The revenues shown are the gross of the compensation recognised by contract both to the manager - TIR – and to the operator. These costs are presented in the entry costs for services and use of third party assets in note 8. In the balance sheet the amount of 5,458 thousand euro relating to the "Contingency deposit contribution for slot network efficiency" is highlighted, which collects 0.5% of the money played on each gaming device connected to computer network (see note 22).

It should be noted, that in the decree issued by AAMS, for the purposes of revising the slot machine convention, the provision of the grant accruable up to 0.5% of the collection, was entered in the new convention between AAMS and the licensees as a contractual element. The disbursement value may vary depending on a set of service and investment parameters.

On 27 July 2011, the management decree 2011/30014/giochi/adi determined new criteria and modes of reimbursement of the security deposit for 2011 and 2012.

The new Decree determines the criteria and the means of restitution of the 0,5% slot machine security deposits for 2011 as follows:

- 0,25% on the achievement of adequate levels of service (80% of the equipment active which have transmitted communications);
- 0,15% on the achievement of adequate levels of service (90% of the equipment active which have transmitted communications);
- 0,10% number of access points updated with GPS technology - georeferencing (7% of the total managed access points).

The new Decree determines the criteria and the means of restitution of the 0,5% slot machine security deposits for 2012 as follows:

- 0,40% number of access points updated with GPS technology - georeferencing (100% of the total managed access points).
- 0,10% on the achievement of adequate levels of service (90% of the equipment active which have transmitted communications);

The Group, on the basis of assumed information and of internal verifications, believes that the levels of service and investment achieved also in the current period, are such to permit the recognition as receivables the security deposits in line with results already obtained in previous years.

The revenues "charge backs to managers for contingency contributions" refers to the contributions paid to third parties responsible for the collection - TIR. In correlation with the cost entry "Contributions for contingency" in note 8 they are recognized as the same type of contribution paid to AAMS, also for the bet acceptance points - BAP - managed by the Parent company. The Law of Stability 2011, in vigour from 1 January 2011 has, among other things, entrusted to AAMS, the realization of an extraordinary program of control, the goal of which is to realize a recognition of the territorial distribution of machines, identifying which and how many are in excess with respect to the individual limits set out in the currently applicable regulations. Moreover, the Law of Stability of 2011 provides a review of this legislation concerning the quota that was regulated with the Decree 2011/30011/giochi/UD of 27 July 2011 and published on 5 August 2011. The current law in the first half of 2011 required that, pending the entrance in vigour of the new regulation, for each machine kept installed in excess of the current allowable installations, the State must be paid a sum of 300 euro a month (300.00 euro/month), required completely from the licensee and from each third party responsible for the collection. The new regulation provides for an increase of the number of paragraph 6a machines (slot machines) installable in the points of sale exclusively for gaming and like, giving three months' time for the regularization according to the new provisions.

19 January 2011 the activity relative to the paragraph 6b entertainment machines (Videolottery or VLT) which have brought in net revenues of 3,307 thousand euro. The positioning of the new VLT terminals inside many bet acceptance shops temporarily interfered with the parallel activity of collection of games on the paragraph 6a entertainment machines due to reduced availability.

The revenues deriving from the activity related to remote skill games total 5,945 thousand euro in the first half of 2011 versus 8,190 thousand euro of the same period in the previous year; the decrease of 27,41% is essentially due to the more stringent controls placed on the collection systems of the computerised gaming adopted by the Group beginning from the middle of March 2010 and subsequently required by the recent European Community norms found in the regulations issued for remote gaming which rendered more difficult the means of opening gaming accounts and the resulting means of access to the transaction of online betting.

Details concerning the entry "Net Revenues for Skill Games" which present the entries relative to revenues, winnings, and to the Single tax (3% of the movement).

<b>2nd Quarter 2011</b>	<b>2nd Quarter 2010</b>	<b>thousands of euro</b>	<b>1st half 2011</b>	<b>1st half 2010</b>
38,374	53,585	Revenues from Skill Games	85,941	115,838
(34,765)	(48,477)	Skill Games Winnings	(77,397)	(104,152)
(1,159)	(1,620)	Skill Games Single Tax	(2,599)	(3,496)
<b>2,450</b>	<b>3,488</b>	<b>Net revenues from Skill Games</b>	<b>5,945</b>	<b>8,190</b>

The entry "Revenues for exercise of licenses" amounting to 2,634 thousand euro represents the compensation from the initial activation of the sports and horse-racing shops/corners paid at the stipulation of the new management contracts and then the fees for services provided each year to the sports and horse-racing corners.

The entry "Revenues for television services" presents, mainly, the revenues deriving from the contract stipulated by the subsidiary Teleippica S.r.l. with U.N.I.R.E. (National Association for the Betterment of Horse Breeds) for the transmission of horse races during the periods of horse-racing betting collection.

## 5. Other revenue and income

The total of the other revenues and proceeds total 828 thousand euro in the first half of 2011 (3,009 thousand euro in the first half of 2010 restated).

This item contains the following positive income components:

<b>2nd Quarter 2011</b>	<b>Restated 2nd Quarter 2010</b>	<b>thousands of euro</b>	<b>1st half 2011</b>	<b>Restated 1st half 2010</b>	<b>Change</b>
70	97	Rental income	162	197	(35)
51	51	Sale of option rights	102	102	0
		Asset transactions, reimbursements for awards, insurance awards, and other revenues	385	2,595	(2,210)
190	5				
32	6	Capital gains on sale of assets	32	6	26
92	54	UNIRE investment fund contributions	147	109	38
<b>435</b>	<b>213</b>	<b>Total</b>	<b>828</b>	<b>3,009</b>	<b>(2,181)</b>

In the first half of 2010, the entry "Active transactions, compensation and other operating income" includes compensation and active transactions for 1,951 thousand euro and mainly relate to early dissolution of service contracts for connections.

## 6. Change in inventories of finished and semi-finished products

The variation of the finished and semi-finished product inventories, in the first half of 2011, totalling 25 thousand euro represents a positive component of income (versus 176 thousand euro in the first half of 2010 positive component of income), and 3 thousand euro in the second Quarter of 2011 representing a negative component of income (161 thousand euro in the second Quarter of 2010 positive component of income). These are related to bet acceptance terminals internally assembled (FaiConMe and Betsi). The terminals capitalised following installation in the points of sale amount to 184 thousand euro.

## 7. Used raw materials and consumables

The raw materials and the consumables used amount to a total of 750 thousand euro in the first half of 2011 (1,086 thousand euro in the first half of 2010 restated), and to 284 thousand euro in the second Quarter of 2011 (460 thousand euro in the second Quarter of 2010 restated) and refer to, mainly, to materials of support for bet collection, to the technology and to the furnishings installed in the new points of sale of the so-called Bersani and Giorgetti licenses and to the raw materials used for the new gaming terminals (FaiConMe). The capitalised part in the half year totals to 329 thousand euro.

## 8. Costs for services and leased assets

The costs for services and leased assets total to 209,332 thousand euro (228,573 thousand euro in the first half of 2010) and is detailed below:

<b>2nd Quarter 2011</b>	<b>Restated 2nd Quarter 2010</b>	<b>thousands of euro</b>	<b>1st half 2011</b>	<b>Restated 1st half 2010</b>	<b>Change</b>
25,666	29,194	Payment for bet acceptance management	58,868	60,083	(1,215)
55,263	59,065	Costs for Slot services	113,092	118,811	(5,719)
703	0	Costs of contingency limits of installation	1,862	0	1,862
897	0	Cost Videolottery manager	1,120	0	1,120
312	0	Videolottery gaming platform	394	0	394
837	1,217	Costs for management of skill games	1,973	2,628	(655)

445	669	Bookmakers compensation	1,131	1,419	(288)
276	166	Costs services remote gaming	603	598	5
13	2,526	SNAI point coordinators compensation	30	6,004	(5,974)
157	0	Bingo on-line costs	310	0	310
816	781	Horse race track management	1,327	1,224	103
61	66	Horse racing agency contributions	128	127	1
464	621	Television and radio services	892	892	0
329	426	Television signal transport	742	839	(97)
142	172	Television and radio news - interviews and previews	283	296	(13)
49	57	Data connectivity services	119	115	4
52	37	UP Link Services	73	86	(13)
30	172	Television direction and recording management	31	181	(150)
95	93	Rent for work places	188	186	2
2,859	6,554	Consultancies and reimbursements	4,664	7,655	(2,991)
2,120	2,132	Utilities and telephones	4,502	4,358	144
2,031	2,113	Assistance and maintenance	3,977	3,879	98
2,112	7,258	Advertising and PR	3,691	9,380	(5,689)
1,058	1,073	IT services	2,008	1,898	110
325	518	Installation, logistics and designing costs	857	1,034	(177)
349	442	Consulting, occasional services and sundries	814	944	(130)
332	704	Insurance and sureties costs	656	1,282	(626)
166	350	Market Research	371	409	(38)
195	45	Information for creation of odds posters and posters	366	107	259
383	366	Rental costs and incidental expenses	754	726	28
186	199	Operating leases and rentals	382	430	(48)
362	349	Directors' fees	711	702	9
184	114	Independent auditor's expenses	323	289	34
114	49	Statutory auditor's fees	164	95	69
21	19	Compensation for Supervisory Board	41	41	0
28	9	Expense accounts for directors/auditors	48	30	18
0	56	Outsourced processing	6	57	(51)
549	1,063	Others	1,831	1,768	63

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<b>99,981</b>	<b>118,675</b>	<b>Total</b>	<b>209,332</b>	<b>228,573</b>	<b>(19,241)</b>
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It should be highlighted:

- the compensation of 58,868 thousand euro (60,083 thousand euro) relative to the management of the bet collection recognized to the BAP which they ceded the licensees in March 2006 and over the following periods, to the managers of the horse-racing and sports shops and corners relating to the awarding of the licenses from the so-called Bersani call for tenders and to the managers of the horse shops of the so-called "Giorgetti" call for tenders. Managers who signed the new management contract in vigour from 1 July 2010 can expect compensation for bets collection and for services related to the collection of gaming amounting to a nominal 10% of the game movement collected inside the shop up to 4 million euro and up to 9% for volumes exceeding with simultaneous and consensual termination of the relationship SNAI Point Coordinator (PSC), where existing; nominal 8% for managers of horse racing and sports corners as well as of shops which did not sign the new management contract and for which SNAI S.p.A. is a direct concessionaire. BAP are also paid an additional 20% of SNAI's operating margin referred to the movement generated, through the remote gaming channel, by the charge made in the store as long as the same charge is used entirely for the validation of games or remote betting. To the other authorised businesses, a compensation is given equal to 10% of the SNAI Card recharges carried out in the store and actually used to make bets on horse races and sports;
- the costs for slot services (totalling 113,092 thousand euro as compared to 118,811 thousand euro in 2010) include both the compensation recognized to the manager (third party assigned with collection - TIR) and the compensation recognized to the operator, in addition to the royalties payable to the BAP for slots under SNAI management. These costs decrease by 5,719 thousand euro following the decrease in the movement generated by the slot machines in the first half of 2011 as they are calculated by a percentage of itself. Moreover, it should be remembered that from

July 2010 following the acceptance of the new contracts with the BAP for the collection of gaming through paragraph 6a entertainment machines the compensation recognized to the BAP was reduced from 6% to 5%;

- The contingency fees as a result of the Law of Stability of 2011 have been commented on in note 4;
- the cost of Videolottery manager for 1,120 thousand euro is related to the compensation recognized to the managers of those shops where the Videolottery machines have been installed starting from 19 January 2011;
- the costs connected to the management of remote skill games for 1,973 thousand euro (2,682 thousand euro), mainly represent the cost for the use of the gaming platform and for the management of on-line poker tournaments: the decrease in these costs is directly correlated to the trend in the gaming volume;
- the entry for consulting and expense reimbursement total 4,664 thousand euro with respect to 7,655 thousand euro of the same period in 2010 and include also the one-time costs for 1,243 thousand euro for the compensation to the advisors who assisted the company in the discharge of the expired Senior and Junior loans repaid in March 2011;
- the expenses for publicity and promotion for a total of 3,691 thousand euro versus 9,380 thousand euro from the same period in 2010 during which the World Football Championships took place.
- The entry "Others" mainly includes: values escort and security service, cleaning services, intergroup services re-invoiced by the parent company and the other subsidiaries, postage and shipping costs, waste disposal and management of company cars and vehicles.

#### Remuneration for directors and statutory auditors

As of 30 June 2011 the compensation payable to directors amounted to 711 thousand euro (702 thousand euro) and payments to supervisory boards, amounting to 164 thousand euro (95 thousand euro) as deliberated in the shareholders' meetings.

#### 9. Personnel Costs

Personnel costs totalled 16,095 thousand euro, versus 14,678 thousand euro of the first half of 2010, with an increase of 1,417 thousand euro (+9.65%) resulting essentially from the start up, starting in the month of October 2010, of the activity of the subsidiary Faste S.r.l., of the direct hiring at the Rome Office, of the positions of consultants (collaboratori a progetto) for outbound activities in Festa S.r.l. as well as the increases in compensation set out in the renewed contracts and the one-time activities decided by the Board of Directors.

2nd Quarter 2011	Restated 2nd Quarter 2010	thousands of euro	1st half 2011	Restated 1st half 2010	Change
6,005	5,375	Salaries and wages	11,300	10,301	999
1,750	1,514	Contributions on salaries and wages	3,298	2,925	373
21	21	Inail premiums	41	42	(1)
50	46	Various contributions	99	92	7
339	325	Accrual for defined benefit/contribution plans	672	656	16
21	11	Personnel training costs	39	22	17
127	193	Expense refunds to staff	240	315	(75)
190	164	Meal vouchers and company canteen	369	317	52
12	4	Other personnel costs (clothing, medical visits, etc.)	37	8	29
<b>8,515</b>	<b>7,653</b>	<b>Total</b>	<b>16,095</b>	<b>14,678</b>	<b>1,417</b>

The entry "provision for defined benefit plans/defined contribution" includes effects on the income statement deriving from the evaluation of the TFR as per IAS 19.

The size of the staff at the end of the period is illustrated in the table below. It shows an increase of 208 units with respect to 31 December 2010 to be attributed to:

- to the entrance into Gruppo SNAI of Teleippica S.r.l. - previously, the company was not included in the consolidation because it was held at 19,50%;
- to the renewal of fixed-term contracts;

- to the new activity of telephone sales of services and products for third parties by the subsidiary Faste S.r.l.; to the establishment, through the direct hiring at the Rome office, of project consultants for outbound activities in Festa S.r.l.

30/06/2010		31/12/2010	Revenues in period	Change in scope of consolidation	Expenses for the period	30/06/2011	Average size for period
20	Executives	20	1	1	1	21	21
476	Clerks and Middle Management	456	200	38	39	655	587
103	Workers	95	7	0	1	101	99
<b>599* Total Employees</b>		<b>571**</b>	<b>208</b>	<b>39</b>	<b>41</b>	<b>777***</b>	<b>707</b>

\* Including 66 part-times and 17 on maternity leave.

\*\* Including 91 part-times and 13 on maternity leave.

\*\*\* Including 180 part-times and 15 on maternity leave

## 10. Other operating expenses

Other operating expenses total 17,954 thousand euro (14,585 thousand euro).

2nd Quarter 2011	Restated 2nd Quarter 2010	thousands of euro	1st half 2011	Restated 1st half 2010	Change
14	28	Environment testing and health surveillance	28	48	(20)
5,844	170	Accruals and losses on receivables	6,381	753	5,628
(61)	(23)	Use of provision for bad debts and risks	(72)	(40)	(32)
75	74	Accrual to provision for risks	157	148	9
87	133	Representation expenses	174	241	(67)
54	176	PR materials	87	203	(116)
173	172	Association dues	364	356	8
114	114	Other taxes	190	198	(8)
3,442	3,756	Licences and concessions	7,386	7,850	(464)
119	119	Municipal property tax (ICI)	239	239	0
(29)	449	Other administrative and management costs	202	535	(333)
48	45	Stationery and consumables	87	90	(3)
13	12	Books, newspapers and magazines	24	23	1
20	78	Expense transactions	20	514	(494)
0	18	Capital losses on sale of assets	0	21	(21)
99	20	Penalties and compensation for damages	110	30	80
1,146	1,847	% of Non-deductible VAT	2,577	3,376	(799)
<b>11,158</b>	<b>7,188</b>	<b>Total</b>	<b>17,954</b>	<b>14,585</b>	<b>3,369</b>

The entry licenses and concessions includes among others:

- the portion of the concession fee for legal gaming on entertainment machines (slot machines) for 3,275 thousand euro, calculated at the rate of 0.30% of volumes played and paid to AAMS bimonthly;
- the portion of the concession fee for videolottery for 100 thousand euro, calculated at the rate of 0,30% of volumes played and paid to AAMS bimonthly;
- the concession payment, for 794 thousand euro, for the sale of fixed odd bets on sports events, other than horse racing, and non-sports events as per article 4 of the convention approved with Directorial Decree 2006/22503 of 30 June 2006; this decree established that starting January 2007 the licensee is required to pay AAMS the six month concession payment for the six months in progress by 16 January and 16 July of each year;
- the amount of concession fee on public gaming concessions for "the exercise of fixed odd and totaliser horse racing bets" on the licenses assigned with the call for tenders 2006 (so-called Bersani licenses) and on licenses assigned

with the so-called "Giorgetti" call for tenders, as subject to the respective concessions, totalling 2,974 thousand euro;

- the amount of the television concession fee for 175 thousand euro.

In the first half of 2011 an accrual to the provision for bad debts and risks was made and losses on receivables were registered to align to the best estimates of recoverability the receivables arising in previous years relative to the core business of the Group and which demonstrated in the course of operations growing difficulties for their collection or, in the case of losses on receivables, their objective non-recoverability.

It should be noted, as set forth in Art. 19 of "Charge specifications" for "the entrusting of a licence for the activation and operation of a network for the computerised management of legal gaming through amusement and entertainment devices as well as the related activities and functions", the Company must maintain a Fund in balance for the technological improvements of the network of entertainment machines through the provision of ten euro per year for each AWP managed. During the half year an accrual was made to the provision for risks for the technological upgrades totalling 157 thousand euro, calculated according to a cost of 5 euro for each AWP managed.

The item "% non-deductible VAT" totalling to 2,577 thousand euro is related to the distinct types of activities, carried out by SNAI S.p.A., by Festa S.r.l., and by the Società Trenno S.r.l. which partly generate revenues for services taxable in terms of VAT and partly revenue exempt from VAT, with consequent effect on non-deductibility of VAT on purchases. The companies SNAI S.p.A., Festa S.r.l., and Trenno S.r.l. have opted for activity separated for the purposes of VAT; this decision means that for purchases referable to activity which generates taxable operations, VAT is entirely deducted, while it is entirely non-deductible on those purchases referred to activities which generate exempt operations.

With regards to the tax on goods and services used promiscuously by all activities, the VAT is deducted within the limits of the financial year producing taxable income to which it relates; regarding this, the cost of non-deductible VAT was calculated by determining specific allocation criteria.

## 11. Capitalized internal construction costs

The costs for capitalized internal construction, totalling 382 thousand euro in the first half of 2011 (382 thousand euro) are substantially related to development of:

Implementation of new functionality for Betsi Terminals;  
 Development of centralized systems for the implementation of efficiency for services delivered;  
 Implementation of Bingo OnLine;  
 Implementation of an internal portal for document management for ISO-27001 certification;  
 Implementation of Disaster Recovery and Business Continuity Plan processes;  
 Implementation of new portal for management of clients: Partner.Snai.It;  
 Evolution of the Comma 6a Slot Machine portal;  
 New implementations related to transaction security and to Fraud Management;  
 Development of a computerised system regarding security mechanisms, and improvement to changed regulatory landscape;  
 Development of Business Intelligence Systems;  
 Implementation of Comma 6a Slot machine and VideoLottery systems;  
 Implementation of Public informational Display systems in HD, ongoing;  
 Development and upgrade of Skill Games to new game modes, ongoing;

## 12. Amortisations

The total amortisations amount to 32,073 thousand euro in first half of 2011, and 16,430 thousand euro in second Quarter of 2011 (27,900 thousand in the first half of 2010, and 14,164 thousand euro in second Quarter of 2010), as detailed below:

<b>2nd Quarter 2011</b>	<b>Restated 2nd Quarter 2010</b>	<b>thousands of euro</b>	<b>1st half 2011</b>	<b>Restated 1st half 2010</b>	<b>Change</b>
10,771	8,077	Intangible assets	20,840	15,852	4,988
5,659	6,087	Property, plant and equipment	11,233	12,048	(815)
<b>16,430</b>	<b>14,164</b>	<b>Total</b>	<b>32,073</b>	<b>27,900</b>	<b>4,173</b>

For further information on the amortizations entry, refer to the notes on tangible and intangible assets No. 16 and 17.

### 13. Other provisions

The entry "Other provisions" amounts to 394 thousand euro (1,867 thousand euro in the first half of 2010) is related to the provision to confront the risks and the expenses analytically described in note 29 to which the reader is referred.

### 14. Financial income and charges

The entry "Financial income and charges" highlights the net financial burdens amounting to 15,920 thousand euro in the first half of 2011 and net charges amounting to 9,123 thousand euro in the second Quarter of 2011 (charges for 13,228 thousand euro in the first half of 2010 and 6,302 thousand euro in the second Quarter of 2010), as detailed below:

2nd Quarter 2011	Restated 2nd Quarter 2010	thousands of euro	1st half 2011	Restated 1st half 2010	Change
<b>Income and charges from equity investments</b>					
2	0	Revaluation/(depreciation) of Alfea S.p.A.	19	0	19
2	15	Revaluation/(depreciation) equity investment Connex S.r.l.	2	15	(13)
(13)	57	Revaluation (depreciation) of Capannelle S.p.A.	(13)	57	(70)
0	12	Revaluation (depreciation) of Solar S.A.	0	12	(12)
<b>(9)</b>	<b>84</b>		<b>8</b>	<b>84</b>	<b>(76)</b>
<b>Financial income</b>					
0	251	Interest income from SNAI Servizi S.r.l.	384	492	(108)
(49)	44	Interest income from Tivu + S.p.A. in Liquid.	0	75	(75)
(40)	33	Interest income from Teseo S.r.l. in Liquid.	0	65	(65)
2	3	Profit on exchange rates	3	3	0
278	29	Interest income from banks	302	78	224
128	491	Interest income on other receivables	369	824	(455)
(1)	0	Financial income	7	0	7
<b>318</b>	<b>851</b>		<b>1,065</b>	<b>1,537</b>	<b>(472)</b>
<b>Financial Charges</b>					
118	141	Bank charges	290	303	(13)
315	23	Interest expenses due to other companies	333	30	303
1	1	Loss on exchange rates	12	11	1
573	217	Commissions on sureties	1,137	432	705
174	119	Interest expenses on bank c/a	319	186	133
1,461	1,569	Interest expenses and accessory charges on leases	2,850	3,106	(256)
2	14	Interest expenses on other loans	6	27	(21)
0	4,772	Interest expenses on Junior and Senior loans	4,937	9,964	(5,027)
6,572	0	Interest expenses on financing of 29 March 2011	6,699	0	6,699
70	166	Financial charges on vendor loan discounting	151	392	(241)
85	164	Financial charges on payables discounting	139	353	(214)
60	51	Interest and termination benefits discounting	119	103	16
1	0	Financial charges and various fees	1	2	(1)
<b>9,432</b>	<b>7,237</b>		<b>16,993</b>	<b>14,909</b>	<b>2,084</b>
<b>(9,123)</b>	<b>(6,302)</b>	<b>Total</b>	<b>(15,920)</b>	<b>(13,288)</b>	<b>(2,632)</b>

The entry "Financial Income", in the first half of 2011, includes the accrued interest income on bank c/a for 302 thousand euro and the interest income on other receivables for 369 thousand euro calculated on the delays granted both on accounts and miscellaneous receivables.

Highlighted among the financial expenses in the first half of 2011, there are:

- the charges calculated according to the amortised cost method as required by IAS 39 by applying the effective interest method for loans opened for acquisition of "Concession" company branches (for greater details on the loans see note 28) for a total of 4,937 thousand euro of which 844 thousand euro are recognised as accessory costs;
- the charges calculated according to the amortised cost method as required by IAS 39 by applying the effective interest method for loans opened on 29 March 2011 for the acquisition of "Concession" company branches (for



greater details on the loans see note 28) for a total of 6,699 thousand euro of which 1,646 thousand euro are recognised as accessory costs;

- the interest calculated on the extension of debt to BAP for the purchase of company branches (vendor loan) as a result of discounting the debt contractually agreed without any explicit interest (151 thousand euro);
- the calculated implicit interest for the discounting of determinate debts in the medium/long term to AAMS, granted in the acquisition of concessions (139 thousand euro);
- the interest payable calculated on finance leases amounting to 1,056 thousand euro and charges on lease for 1,794 thousand euro, including non-deductible VAT.

For additional details related to existing entries with group companies, the reader is referred to note 34 "Related Parties".

## 15. Income taxes

The current income taxes, inclusive of IRES and IRAP of the companies consolidated on a line-by-line basis, as well as the prepaid and deferred taxes identified in the first half of 2011, amount to 178 thousand euro.

<b>2nd Quarter 2011</b>	<b>Restated 2nd Quarter 2010</b>	<b>thousands of euro</b>	<b>1st half 2011</b>	<b>Restated 1st half 2010</b>
249	160	IRES	489	302
70	361	IRAP	980	690
1,251	1,259	Accrual to provision for deferred tax liabilities	2,508	2,511
(678)	(596)	Use of provision for deferred tax liabilities	(1,358)	(1,251)
(2,914)	(3,133)	Prepaid taxes	(3,443)	(4,767)
(1,821)	1,502	Use of prepaid tax assets	1,002	2,162
0	7	IRES from previous years	0	7
<b>(3,843)</b>	<b>(440)</b>	<b>Total</b>	<b>178</b>	<b>(346)</b>

For additional details on the effects from the tax charge and the fiscal consolidation see what is specified in detail in note 19 "Prepaid and deferred taxes" in these explanatory notes. For the purposes of direct and indirect taxes the year 2005 is used as reference.

For details on tax disputes refer to paragraph 29.

	<b>30/06/2011</b>	<b>Restated 30/06/2010</b>
Profit before taxes	(7,347)	(5,725)
Theoretical IRES tax burden	27,50% 2,020	27,50% 1,574
Theoretical IRAP tax burden	3,90% 287	3,90% 223
<b>Total theoretical tax burden</b>	<b>2,307</b>	<b>1,797</b>
Fines, penalties and other taxes	(77)	(294)
equity depreciation	(311)	0
Other permanent non-deductible expenses	(616)	(195)
non-taxable dividends	574	0
other permanent deductions	58	4
	<b>1,935</b>	<b>1,312</b>
IRAP permanent differences (including employees)	(2,113)	(973)
	<b>(178)</b>	<b>339</b>
Levies and taxes from previous years	0	7
<b>Effective tax burden</b>	2% <b>(178)</b>	-6% <b>346</b>

## **Notes to the Main Items of the Consolidated Equity and Financial Situation**

The comparison of values, always expressed in thousands of euro, except in individual cases which are differently annotated, is done with the corresponding balances as of 31 December 2010 restated following the acquisition of 80,5% equity in the share capital of Teleippica S.r.l., as specified in the note of the principal entries of the comprehensive income statement. The restatement was prepared in order to render the values homogenous, as if the acquisition had already occurred on 31 December 2010, for more details see attachment 2.

The comparison between values which are always expressed in thousands of euros, except in individual cases which are differently annotated, is done with the corresponding balances at 31 December 2010 restated.

### **16. Property, plant and equipment**

The amount of property, plant and equipment as of 30 June 2011 totalled 165,951 thousand euro ( 173,491 thousand euro). The changes for the period are due to the combined effect of depreciation for the period totalling 11,233 thousand euro, investments for 3,697 thousand euro, and disposals, net of accumulated depreciation, and for sales for 4 thousand euro net of accumulated depreciation.

	Land and buildings	plant and machinery	Industrial and commercial equipment	Other assets	Assets and advances	Total
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In thousands of euro

### Cost

<b>Balance at 1 January 2010</b>	<b>133,296</b>	<b>128,021</b>	<b>7,037</b>	<b>18,164</b>	<b>110</b>	<b>286,628</b>
Acquisitions following company mergers			0	0		0
Reclassifications	(122)	615	(97)	(154)	(110)	132
Other increments	2,131	10,907	198	2,212	0	15,448
Decreases	0	(2,443)	(18)	(65)	0	(2,526)
<b>Balance at 31 December 2010</b>	<b>135,305</b>	<b>137,100</b>	<b>7,120</b>	<b>20,157</b>	<b>0</b>	<b>299,682</b>
Change of scope of consolidation for acquisition of Teleippica S.r.l.		16,964		173		17,137
<b>Restated balances at 31 December 2010</b>	<b>135,305</b>	<b>154,064</b>	<b>7,120</b>	<b>20,330</b>	<b>0</b>	<b>316,819</b>
Reclassifications	0	0	20	(16)	(4)	0
Other increments	955	2,257	9	416	60	3,697
Decreases	0	(6)	0	(126)	0	(132)
<b>Balance at 30 June 2011</b>	<b>136,260</b>	<b>156,315</b>	<b>7,149</b>	<b>20,604</b>	<b>56</b>	<b>320,384</b>

### Amortization and depreciation

<b>Balance at 1 January 2010</b>	<b>22,085</b>	<b>73,129</b>	<b>6,123</b>	<b>6,557</b>	<b>0</b>	<b>107,894</b>
Acquisitions following company mergers						0
Amortization of period	2,856	16,163	244	2,035		21,298
Depreciations						0
Divestments		(2,440)	(18)	(61)		(2,519)
Reclassifications	(122)	2,805	(97)	(154)	0	2,432
<b>Balance at 31 December 2010</b>	<b>24,819</b>	<b>89,657</b>	<b>6,252</b>	<b>8,377</b>	<b>0</b>	<b>129,105</b>
Change of scope of consolidation for acquisition of Teleippica S.r.l.		14,168		55		14,223
<b>Restated balances at 31 December 2010</b>	<b>24,819</b>	<b>103,825</b>	<b>6,252</b>	<b>8,432</b>	<b>0</b>	<b>143,328</b>
Amortization of period	1,442	8,599	106	1,086		11,233
Depreciations						0
Divestments		(6)	0	(122)		(128)
Reclassifications	0	0	0	0	0	0
<b>Balance at 30 June 2011</b>	<b>26,261</b>	<b>112,418</b>	<b>6,358</b>	<b>9,396</b>	<b>0</b>	<b>154,433</b>

### Accounting Values

Balance at 1 January 2010	111,211	54,892	914	11,607	110	178,734
31 December 2010	110,486	47,443	868	11,780	0	170,577
Restated balances at 31 December 2010	110,486	50,239	868	11,898	0	173,491
As of 30 June 2011	109,999	43,897	791	11,208	56	165,951

Among the land and buildings is included the building of Porcari, managed through leasing from ING Lease Italia S.p.A., at a historical cost of 3,500 thousands euros, of which 382 thousand euros for the land, and a depreciation fund, at 30 June 2011, of 655 thousand euros.

Moreover, the item "Land and Buildings" includes the Milan and Montecatini properties owned by the parent company SNAI S.p.A. and by the subsidiary Immobiliare Valcarenga S.r.l.

The payments for finance leases are shown in the table below:

thousands of euro	<b>Total</b>
Total commitment as of 30/06/2011	46,721
Of which	
Payments due within 12 months	20,284
Payments due past 1 up to 5 years	26,314
Payments due beyond 5 years	123
Redemption	913

The fees at the end of the operating leases do not amount to significant amounts.

As of 30 June 2011, the commitments for financial leasing totalling 46,721 thousand euro relate to the following contracts:

- 1,303 thousand euro for the finance lease agreement with the company ING Lease Italia S.p.A. regarding the purchase of the building located in Porcari (LU) expiring in June 2016. At the end of the contract the option to redeem the building at the agreed price of 700 thousand euro is provided;
- 397 thousand euro for the acquisition contract for technology for new corners and shops (lease-back) agreed in December 2006 with the expiration in December 2011. At the termination of the contract, three options are set out: restitution of the machines, extension of the lease, and acquisition of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid;
- 1,173 thousand euro for the acquisition contract for technology for new corners and shops (lease-back) agreed in September 2007 with the expiration in September 2012. At the termination of the contract, three options are set out: restitution of the machines, extension of the lease, and acquisition of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid;
- for 5,836 thousand euro to two contracts stipulated at the end of December 2007 with maturity in December 2012 for the acquisition in leasing of technology for the new points and shops (lease-back). Both contracts have a purchase option for the machines by a third party buyer, in the event of failure to sell for any reason, there is an automatic renewal for an additional twelve month period.
- 5,850 thousand euro for two contracts concluded at the end of October 2008 with expiry in October 2013 for the lease purchase of technology for new shops and points (lease-back). Both contracts have the option for extension of the lease for the duration indicated by the lease holder; in the case where the option is not exercised, the assets will be returned.
- 3,639 thousand euro for four leased-back contracts awarded in October and November 2008 for a period of 48 months relative to technology installed in Bersani corners and shops;
- 8,472 thousand euro for some lease contracts stipulated between 2007 and 2008;
- 2,036 thousand euro for some lease contracts signed during the year 2009 for electronic equipment;
- 3,180 thousand euro for a lease-back contract concerning the gaming terminals produced and intended for the new points and shops, contracted in July 2009 and expiring in June 2014. At the end of the contract the option to redeem the goods is provided at the agreed price of 50 thousand euro;
- 2,819 thousand euro for a lease-back contract concerning the technology acquired and produced for the new points and shops, contracted in July 2009 and expiring in July 2014. At the end of the contract the option to redeem the goods is provided at the agreed price of 48 thousand euro;
- 2,698 thousand euro for a lease-back contract concerning the technology acquired for the new points and shops, contracted in August 2009 and expiring in August 2014. At the end of the contract the option to redeem the goods is provided at the agreed price of 42 thousand euro;
- 1,055 thousand euro for a lease-back contract concerning the gaming terminals produced and intended for the new points and shops, contracted in August 2009 and expiring in August 2013. At the end of the contract the option to redeem the goods is provided at the agreed price of 20 thousand euro;
- 589 thousand euro for a lease-back contract concerning the gaming terminals produced for the new points and shops, contracted in September 2009 and expiring in September 2014. At the end of the contract the option to extend the lease and as an alternative option to redeem the property by paying the amount fixed at 10 thousand euro in a lump sum;

14. 68 thousand euro for a lease contract for the acquisition of a company car, contracted in November 2009 and expiring in November 2012. At the end of the contract the option to redeem the car is provided at the agreed price of 1 thousand euro;
15. 1,206 thousand euro for a lease-back contract concerning the furniture and fittings, contracted in February 2010 and expiring in February 2015. At the end of the contract the option to redeem the goods is provided at the agreed price of 17 thousand euro;
16. 1,851 thousand euro for a lease-back contract concerning the acquisition of technology, contracted in March 2010 and expiring in March 2015. At the end of the contract the option to redeem the goods is provided at the agreed price of 25 thousand euro;
17. 3,157 thousand euro for leasing contracts stipulated in 2010 related to the acquisition of computing infrastructure both for the central operations and for peripheral operations;
18. 1,283 thousand euro for leases stipulated in the first half of 2011 for the purchase of information infrastructure for both central and peripheral operations;
19. 65 thousand euro for a financial lease contracts concerning the acquisition of a server and personal computers, stipulated with the company Siemens Renting S.p.A.;
20. 37 thousand euro for a leasing contract concerning the telephone system, contracted in January 2010 and expiring in January 2015. At the end of the contract the option for tacit renewal from year to year is provided for unless notice is given;
21. 7 thousand euro for a leasing contract concerning the acquisition of three Cisco switches, contracted in February 2010 and expiring in February 2013. At the end of the contract the tacit renewal from year to year is provided for unless notice is given;

Company owned plant and machinery include the electrical, water, fire-fighting and air conditioning systems as well as activities to bring them up to standard, electronic machines, entertainment machines (slot machines), the "pda" used for the connection to the slot network.

The change in the scope of consolidation due to the acquisition of control of Teleippica S.r.l. for 17,136 thousand euro is essentially composed by the television transmission equipment divided into the following categories: Radio relays 5,986 thousand euro, retransmission installations 8,287, production installations 2,072 thousand euro and control and synchronization systems for 76 thousand euro.

The increases as of 30 June 2011, totalling 3,697 thousand euro, refer principally to:

- for the entry "Land and Buildings" 955 thousand euro for property improvements;
- for the entry "Plant and Equipment" for 2,258 thousand euro related to: 557 thousand euro for hardware for the new business of Videolottery, 651 thousand euro for hardware to carry out the various activities of the Parent company, 357 thousand euro for heating/cooling and electrical systems, 319 thousand euro for technology provided on loan to points of sale, 194 thousand euro for the creation of the Videolottery network and 180 thousand euro towards the acquisition cost of instrumental assets (server, printers, PC and monitors) and other plant and equipment for carrying out the various activities of the group companies;
- for the entry "Commercial and Industrial Equipment" for 9 thousand euro related to the acquisition of equipment for the racetracks of Milan and Montecatini and the related activities;
- for the entry "Other assets" for 416 thousand euro relative to: 328 thousand euro for furnishings provided on loan to the new shops and corners (Bersani licenses), along with 41 thousand euro for directly managed shops, 47 thousand euro for furnishings for the head offices.

In tangible assets the financial charges were not capitalised because the Group does not have any qualifying activities, as defined by IAS 23.

## **17. Intangible assets**

The amount of intangible assets as of 30 June 2011 totals 446,404 thousand euro (461,565 thousand euro); changes for the period are due to the combined effect of amortisation for the period totalling 20,840 thousand euro and investments for 5,679 thousand euro.

thousands of euro	Goodwill	Concessions licenses brands rights and similar	Development Costs	industrial patent rights and use of original works	Others	Assets under construction	Total
<b>Cost</b>							
<b>Balance at 1 January 2010</b>	<b>230,968</b>	<b>289,006</b>	<b>6,054</b>	<b>12,204</b>	<b>3,170</b>	<b>106,489</b>	<b>647,891</b>
Acquisitions following company mergers	194	42					236
Reclassifications		28,853	538		0	(29,391)	0
Other increments		22,890	846	149	596	500	24,981
Decreases		0			0	(620)	(620)
<b>Balance at 31 December 2010</b>	<b>231,162</b>	<b>340,791</b>	<b>7,438</b>	<b>12,353</b>	<b>3,766</b>	<b>76,978</b>	<b>672,488</b>
Change of scope of consolidation for acquisition of Teleippica S.r.l.	443	14		108	694		1,259
<b>Restated balances at 31 December 2010</b>	<b>231,605</b>	<b>340,805</b>	<b>7,438</b>	<b>12,461</b>	<b>4,460</b>	<b>76,978</b>	<b>673,747</b>
Reclassifications		12,912	0		7	(12,919)	0
Other increments		4,822	0	3	351	503	5,679
Decreases	0	0	(1,685)		0	0	(1,685)
<b>Balance at 30 June 2011</b>	<b>231,605</b>	<b>358,539</b>	<b>5,753</b>	<b>12,464</b>	<b>4,818</b>	<b>64,562</b>	<b>677,741</b>
<b>Amortization and depreciation</b>							
<b>Balance at 1 January 2010</b>	<b>0</b>	<b>159,837</b>	<b>3,337</b>	<b>11,007</b>	<b>1,666</b>	<b>0</b>	<b>175,847</b>
Acquisitions following company mergers							0
Amortization of period		34,023	881	246	483		35,633
Depreciations							0
Divestments		0					0
Reclassifications							0
<b>Balance at 31 December 2010</b>	<b>0</b>	<b>193,860</b>	<b>4,218</b>	<b>11,253</b>	<b>2,149</b>	<b>0</b>	<b>211,480</b>
Change of scope of consolidation for acquisition of Teleippica S.r.l.		2		85	615		702
<b>Restated balances at 31 December 2010</b>	<b>0</b>	<b>193,862</b>	<b>4,218</b>	<b>11,338</b>	<b>2,764</b>	<b>0</b>	<b>212,182</b>
Amortization of period		19,952	471	126	291		20,840
Depreciations							0
Divestments		0	(1,685)		0		(1,685)
Reclassifications							0
<b>Balance at 30 June 2011</b>	<b>0</b>	<b>213,814</b>	<b>3,004</b>	<b>11,464</b>	<b>3,055</b>	<b>0</b>	<b>231,337</b>
<b>Accounting Values</b>							
At 1 January 2010	230,968	129,169	2,717	1,197	1,504	106,489	472,044
At 31 December 2010	231,162	146,931	3,220	1,100	1,617	76,978	461,008
							0
Restated balances at 31 December 2010	231,605	146,943	3,220	1,123	1,696	76,978	461,565
At 30 June 2011	231,605	144,725	2,749	1,000	1,763	64,562	446,404

The change in the scope of consolidation net of the amortisation fund is equal to 558 thousand euro and is related principally to the goodwill contributed by Teleippica S.r.l. for 443 thousand euro.

The investments for 5,679 thousand euro are primarily related:

- to concessions, licenses, trademarks, and similar rights for 4,822 thousand euro of which 4,704 thousand euro due to the obligation assumed by some directors to not carry out competitive business starting from 1 April 2011 for a period of 3 years;
- to assets under construction for 503 thousand euro of which 410 thousand euro are related to the internal development of software for games and betting not yet completed and 50 thousand euro for the integration of the Bingo online concession;
- to the entry "Others" relative to the multi-year costs incurred for the implementation of software programs, mainly for the personalization of the software for the skill games platform for 246 thousand euro and for the SAP/R3 System for 70 thousand euro;

Intangible assets in progress include the licenses acquired for the VLTs for 63,591 thousand euro, related to the game machines not yet tested by AAMS, costs for the development of software programs in progress for 921 thousand euro and the integration of the concession for remote gaming for 50 thousand euro.

In intangible assets the financial charges were not capitalised because the Group does not have any qualifying activities, as defined by IAS 23.

The existing goodwill totalling 231,605 thousand euro is composed of:

- 466 thousand euro for the acquisition of the company branch "Agenzia" for the direct management of the betting agency of Capannori (Lucca) which occurred on 27 August 2008;
- 710 thousand euro for the goodwill generated by the fusion by acquisition of equity in Agenzia Ippica Monteverde S.r.l. (now merged in SNAI S.p.A.);
- 11,137 thousand euro to goodwill net of amortisations, brought about by SNAI Servizi Spazio Gioco S.r.l., merged in SNAI S.p.A. in 2002, related to the service division;
- 73 thousand euro for the service division;
- 218,776 thousand euro refers to the acquisition of the company branch concessions starting from 16 March 2006;
- 443 thousand euro contributed by Teleippica S.r.l.

#### Goodwill from computerised activities - services

The company SNAI S.p.A. has decided not to apply IFRS 3 (Business Combinations) retrospectively to the combinations which occurred prior to transition to the IFRS standards. Consequently, the goodwill from SNAI Servizi Spazio Gioco S.r.l., was entered during the transition to the IFRS, at the net carrying amount determined according to the previously applied accounting standards (Italian accounting standards). This goodwill, which was entirely allocated to the Cash Generating Unit (CGU) "computerised activity – services" (Services Division), as required by IAS 36, was subject to an impairment test at 31 December 2010.

IAS 36 requires the estimation of the recoverable value of the asset when there is an indication that the asset may have undergone a reduction in value.

The Group performs this test for the reduction of value annually (31 December) and when the circumstances indicate the possibility of a reduction in the recoverable value of the goodwill. As of 30 June 2011, no indicators of impairment have emerged, keeping in mind that:

- the directors, not having identified situations of uncertainty such as factors that could cast significant doubt on the Company's ability to continue its operations for the foreseeable future, consider appropriate to use the presupposition of business continuity for the preparation of condensed interim financial statements. In fact, the directors, considering the actions set forth in the Business plan 2011-2014 approved by the Board of Directors of 23 March 2011, and subsequent updates of the forecasts through the end of 2011, consider that, the expansion of the Group's core activities will permit the achievement of a position of economic equilibrium and generate an adequate cash flow;
- the analysis of the deviations among the final data of the first half of 2011 with the budget inserted in the plan approved by the Board of Directors of 23 March 2011, shows an achievement of a result before depreciation, amortisations, depreciations, financial proceeds/charges and taxes (EBITDA) slightly inferior to the forecasted results. The decrease is attributable substantially to the one-time costs for the accruals and losses on receivables.
- No changes have occurred during the period or are forecast for the near future in the technological, economic, legal or market context in which the Company operates or in the market in which the business is geared to.
- There is no evidence of obsolescence or deterioration of materials linked to the cash generating unit;
- the analysis of the other indicators of reduction in value presented by IAS 36 did not show any criticalities.

#### The goodwill relative to the acquisition of the company branch concessions

Based on IFRS 3 ("Business Combinations") accounting standard, the Concessions have been recognised in intangible assets at their fair value. The value of the Concessions, identified when the paid price was allocated, is amortised on a straight-line basis until their expiration. Following the call for tenders for awarding of licences for opening of new points of sale, in compliance with the provision converting Legislative Decree 223 of 4 July 2006 into law, SNAI was awarded the concessions for collecting bets. In particular, a sports concession with the payment of acquired licences for 67.8 million euro (342 sports shops and 864 corners) and a horse racing concession with payment of acquired licences for 45.6 million euro (99 horse racing shops and 3,787 horse racing corners). Furthermore, the company was awarded the concession for the remote horse betting with the payment for an acquired license of 0.3 million euro and the concession for remote sport gaming with the payment for an acquired license for 0.3 million euro.

Moreover, on 17 November 2007, a license was acquired for a sports concession (shop) for 123 thousand euro, and on 30 June 2008, a company branch was acquired composed of 15 new licences, specifically sports corner licences (12 sports corners) and sports gaming shop licences (3 sports shops).

The acquired licences were added to the sports and horse racing concessions acquired by SNAI beginning from March 2006, and following dates, operating in the current sales shops, thus allowing the company to maintain its leadership in the betting segment, both in terms of number of points of sale and collected volumes.

Inside all the new points, SNAI conducts a bet collection and acceptance business using the structure, know-how and expertise already used in the operative company branches in the concessions acquired in March 2006.

The management of bet acceptance and collection is centrally handled by SNAI, which determines the acceptance, marketing, advertising, and human resources policies (even if all the points of sale directly handle and will handle hiring and working relations with the employees involved in supplying the service).

The performance of the activities shows a coordination and results significantly higher due to the effect of the central management; also the "policies" of acceptance are coordinated centrally in order to minimise the risk connected with geographic diversification of collection and acceptance of bets.

Moreover, due to the effect of management centrally handled by SNAI, the direct and indirect benefits resulting from the acquired concessions and those resulting from the awarded licences give reason to believe that no point of sale generates revenue independent from the other points of sale.

The activity connected with the slot machines located in the points of sale takes advantage of the territorial positioning of the concessions as well. This activity also is part of the management handled centrally by SNAI.

Based on application of IAS 36 – paragraph 81 the lowest level inside the entity has been identified where goodwill can be allocated and coinciding with the combination of the cash generating unit with reference to the entire Concessions Division. This was also following the consideration that company management controls operations of the collection activity in the Division in question and makes decisions based on the activities as a single entity and single product line. IAS 36 requires the estimation of the recoverable value of the asset when there is an indication that the asset may have undergone a reduction in value.

The Group performs this test for the reduction of value annually (December 31) and when the circumstances indicate the possibility of a reduction in the recoverable value of the goodwill. As of 30 June 2011, no indicators of impairment have emerged, keeping in mind that:

- the directors, having certified the positive conclusion of the renegotiation of the debt, and not having identified situations of uncertainty such as factors that could cast significant doubt on the Company's ability to continue its operations for the foreseeable future, consider appropriate to use the presupposition of business continuity for the preparation of condensed interim financial statements. In fact, the directors, considering the actions set forth in the Business plan 2011-2014 approved by the Board of Directors of 23 March 2011, and subsequent updates of the forecasts through the end of 2011, consider that, the expansion of the Group's core activities will permit the achievement of a position of economic equilibrium and generate an adequate cash flow;
- the analysis of the deviations among the final data of the first half of 2011 with the budget inserted in the plan approved by the Board of Directors of 23 March 2011, shows the achievement of a result before depreciation, amortisations, depreciations, financial proceeds/charges and taxes (EBITDA) slightly inferior to the forecasted results mainly attributable to one-time costs recognized in the half year relative to the accruals to the provision for outstanding debts, in addition to the consultancy relative to the discharge of the Senior and Junior loans expiring in March 2011;
- there have not been changes during the period, or in the near future, in the technological, economic, legal and market contexts in which the company operates or in the market in which its activities are directed, with the exception of the increase in risk concerning the possible forfeiture of 1,310 licenses for horse racing corners not yet active, whose contribution to the future profitability of the Group is however modest and not substantially alter the reliability of business plans;
- Evidence of obsolescence or deterioration of the material connected to the cash generating unit are not present and the analysis of the other indicators of reduction in value present in IAS 36 did not reveal any criticalities.



## 18. Equity Investments

The group holds equity investments in the following companies:

	Carrying amount at	Carrying amount at	Percentage held	
	30/06/2011	Restated 31/12/2010	30/06/2011	Restated 31/12/2010
thousands of euro				
<b>Associates and subsidiaries not consolidated on a line-by-line basis</b>				
- Hippogroup Roma Capannelle S.p.A.	186	199	27,78	27,78
- Alfea S.p.A.	1,502	1,523	30,70	30,70
- Connex S.r.l.	69	67	25	25
- Solar S.A.	53	53	30	30
- SNAI Imel S.p.A. Unipersonale	120	120	100	100
- Teseo S.r.l. in liquidation	0	0	70	70
<b>Total equity investments measured at net equity</b>	<b>1,930</b>	<b>1,962</b>		
<b>Others</b>				
- Tivu + S.p.A. in liquidation	0	0	19,5	19,5
- Lxorfin S.r.l.	46	46	2,44	2,44
<b>Total equity investments in other companies</b>	<b>46</b>	<b>46</b>		

The value of the equity investment in the company Hippogroup Roma Capannelle S.p.A was adjusted to the corresponding portion of the shareholders' equity. In detail during the period the shareholders' meeting on 12 January 2011, the company Hippogroup Roma Capannelle S.p.A. resolved:

- 1) to approve the financial statement as of 30 September 2010, noting the report of the Board of Directors, the comments of the Board of Statutory Auditors and the Report from Independent Auditors, and noting also that the same situation emerge losses of 1,376,825.00 euro;
- 2) to proceed with the full compensation of losses, as found above in 1,376,825.00 euro, as follows:
  - reduction of losses of 1,370,480.00 euro, with the use, limited to the amount of 6,345.00 euro, of the "Extraordinary Reserve" which is reported under the appropriate heading in the balance sheet;
  - clear the residual loss of 1,370,480.00 euro, with the reduction, for the same amount, of the share capital from the current amount of 2,315,000.00 euro to the new amount of 944,520.00 euro;
- 3) to proceed with the issuance of 18,520,000 new shares with a nominal value of 0,051 euro (zero point zero fifty-one) each, against the withdrawal and cancellation of 18,520,000 existing shares, nominal value of Euro 0,125 each, currently in circulation and consequently, to award the above new shares to the Shareholders.
- 4) accordingly, to amend the Article 5 of the Articles of Association with the following new text: "The share capital of 944,520.00 euro, divided into 18,520,000 shares with a nominal value of Euro 0,051 each".

The company has also submitted a request for the continuation of an arrangement with creditors, which also includes a request to reduce the concession fee due to the City of Rome equivalently.

Due to the delay of obtaining the authorization of the Bank of Italy for exercise of the activity, the company SNAI Imel S.p.A., in August 2010 decided to request a suspension of the authorization process in order to examine both some possible commercial synergies with the primary operators in the segment of on-line gaming, and the possible operations inherent with the possible restructuring of the Group, which might modify the governance of the corporate shareholding structure, reserving the right to present the petition again as soon as the new relationships are defined.

The complete composition of the Group and the consolidation methods adopted are described in attachment 1.

## 19. Prepaid tax assets and deferred tax liabilities

The total amount of temporary differences and fiscal losses carried forward is described in the tables below, together with the related theoretical amount for prepaid and deferred taxes as well as amounts recorded in the consolidated balance sheets:

Prepaid tax assets

	<b>Restated 31/12/2010</b>	<b>Accrual</b>	<b>Uses</b>	<b>30/06/2011</b>
Prepaid tax assets	30,097	3,443	(1,002)	32,538

<b>Temporary differences</b>	<b>Amount</b>	<b>Rate</b>	<b>Tax effect</b>	<b>Prepayments entered</b>	<b>Reversal period</b>
Taxed bad debt provision	29,464	27.5%	8,102	8,102	2011 and following
Provision for risks	8,621	27.5%	2,371	2,262	2011 and following
Provision for warehouse write-down	287	31.4%	94	94	2011 and following
Impairment of investments with deferred deductibility	-	33.0%	-	-	2011 and following
Difference between balance sheet value and tax value of goodwill	-	37.3%	-	-	2011 and following
Difference between book value and the tax value of tangible and intangible fixed assets	12,023	31.4%	3,775	3,775	2011 and following
Supplementary charges on increase of capital	147	31.4%	46	46	2011 and following
Other temporary differences	7,075	27,5% - 31,4%	1,952	1,952	2011 and following
<b>Total</b>	<b>57,617</b>		<b>16,340</b>	<b>16,231</b>	

<b>Previous fiscal losses carried forward</b>	<b>Amount</b>	<b>Rate</b>	<b>Tax effect</b>	<b>Benefits recorded</b>	<b>Useable by</b>
Faste S.r.l.:					
2010	112	27.5%	31	31	2015
1st half 2011	180	27.5%	50	50	2016
	<b>292</b>		<b>81</b>	<b>81</b>	
SNAI S.p.A.:					
2008	17,198	27.5%	4,729	4,729	2013
2009	10,024	27.5%	2,757	2,757	2014
2010	27,717	27.5%	7,622	7,622	2015
1st half 2011	4,064	27.5%	1,118	1,118	2016
	<b>59,003</b>		<b>16,226</b>	<b>16,226</b>	
<b>Total previous losses</b>	<b>59,295</b>		<b>16,307</b>	<b>16,307</b>	
<b>Total Prepaid taxes</b>				<b>32,538</b>	

It should be noted that the Group exposes deferred tax assets and deferred tax liabilities amounting to a net liability of 11,135 thousand euro ( as of 31 December 2010 they amounted to 12,435 thousand euro).

On 30 June 2011, the Directors of SNAI S.p.A confirmed the assessment of recoverability of deferred tax assets that arose from temporary differences between financial statement values and fiscal values of the related assets/liabilities, as well as on fiscal loss from consolidated national tax, on the basis of forecasts of expected positive results from future business plans and confirmed at the date of valuation.

The difference between book value and tax value of tangible and intangible assets amounted to 12,023 thousand euro with tax effect amounting to 3,775 thousand euro, mainly due to leasing contracts concluded in the years 2007 and earlier (8,869 thousand euro, with effect taxes amounted to 2,785 thousand euro).

Other temporary differences amounting to 7,075 thousand euro, with the effect of taxes amounting to 1,952 thousand euro, mainly due to interest expense not deducted pursuant to art. 96 of the Income Tax Act (T.U.I.R.) (5,577 thousand euro, with the effect of taxes amounting to 1,534 thousand euro).

For the three year 2009-2011 period the Parent company, as consolidating company, opted for the national tax consolidation as per articles 117 et seqq. Presidential Decree 917/1988; as consolidated companies Festa S.r.l., Mac Horse S.r.l. and Immobiliare Valcarenga S.r.l. opted to take part in this option. From fiscal year 2007 to fiscal consolidation Trenno Company S.r.l. also participates, for which purpose it should be noted that during the month of June 2010 the option was renewed for the 2010-2012 period.

The adoption of the fiscal consolidation may entail some beneficial effects on the Group's tax charge, including the immediate use, total or partial, of period tax losses of the companies taking part in the consolidation decreasing the income possessed by the other consolidated companies;

It should be remembered, furthermore, that SNAI S.p.A., as consolidating company, is required to pay the balance and advance of IRES due based on the consolidated income tax return.

Based on existing agreements the excess previous tax carried forward or resulting from income tax returns filed by the companies which opted for the consolidates can be used by the parent company only upon specific request. The transfer of money for the payment of taxes on taxable income transferred to the consolidating company is regulated by inter-group current account with debiting on the payment deadline date for the aforesaid taxes.

Moreover, since the consolidated companies are companies subject to the management and coordination of the consolidating company, the advantages (or disadvantages) resulting from certain consolidation adjustments are attributed to the consolidating companies.

The tax liability of the consolidated companies to the tax authority remains unchanged in the event that a higher taxable income is assessed for the parent company for errors in the taxable income communicated by the subsidiaries.

Lastly, SNAI S.p.A. as consolidating company and Trenno S.p.A. (now merged with the consolidating company) have opted for a neutrality system for inter-group transfers in accordance with article 123 of the Income Tax Act (T.U.I.R.) related to the transfer from Trenno to SNAI of the Milan San Siro trot racetrack and the Montecatini Terme trot racetrack which took place in March 2006.

Consequently, due to the effect of this option the Group benefited from the "sterilisation" of the fiscal capital gain caused by this transfer totalling around 32 million euro. Naturally, this neutrality scheme shall be terminated if there is a later transfer not in a neutrality scheme or in the event of interruption or failure to renew the national consolidation scheme. On the properties in question, it also should be noted that deferred taxes are calculated, as explained later, following the transition to international accounting standards.

#### Provision for deferred taxes

	<b>Restated</b>		<b>Uses</b>	<b>30/06/2011</b>
	<b>31/12/2010</b>	<b>Accrual</b>		
Provision for deferred taxes	42,523	2,508	(1,358)	43,673

<b>Temporary differences</b>	<b>Amount</b>	<b>Rate</b>	<b>Tax effect</b>	<b>Deferred</b>
Tax amortisation of goodwill	(10,903)	31,40%	(3,364)	(3,364)
Termination Benefits	(521)	27,50%	(144)	(144)
Tax amortisation of company branch goodwill	(72,538)	31,40%	(23,677)	(23,677)
Difference between balance sheet value and fiscal value of certain payables due to AAMS and payables due to BAP for acquisition of concessions	(594)	27,50%	(184)	(184)

Difference between balance sheet value and tax value of concessions	(7,002)	31,40%	(2,199)	(2,199)
Difference between balance sheet value and tax value of property, plant and equipment	(42,092)	31,40%	(13,217)	(13,217)
Other temporary differences	(2,887)	31,4% - 27,5%	(888)	(888)
<b>Total deferred taxes</b>	<b>(136,537)</b>		<b>(43,673)</b>	<b>(43,673)</b>

The directors of SNAI S.p.A. decided to record the deferred taxes generated for all temporary differences between the balance sheet values and tax values of the related assets/liabilities. In particular, the acquired company branches, as business combinations, are accounted for by applying the IFRS 3 acquisition method.

Therefore, SNAI S.p.A. recognised assets and liabilities identifiable in the acquisition at relative fair values at the acquisition date and thus recognised goodwill only after having allocated the acquisition cost as described above. The value of the concession licenses recognised in financial statement are different from the cost foreseen in the contract: the statutory depreciation differs from the fiscal depreciation as per Art. 103, comma 2, Presidential Decree 917/1986 from which the deferred taxes.

The abovementioned different approaches is applied only to the acquisitions which took place in the years preceding the tax period of 2008; for the acquisitions occurring in and after the 2008 tax period, the principle of derivation introduced by the Budget Law of 2008 is applied: the object of that regulation was to accentuate the derivation of the taxable income resulting from the IAS financial statement.

The goodwill value is not amortised but is annually subject to impairment testing: fiscal depreciation is governed by Art. 103, paragraph 3, Presidential Decree 917/1986 from which the deferred taxes.

The difference between book value and tax value of tangible and intangible assets amounted to 42,092 thousand euro with a tax effect amounting to 13,217 thousand euro, mainly due to fixed assets (formerly Trenno) of Milan - San Siro and Montecatini (40,272 thousand euro, with effect taxes amounted to 12,645 thousand euro).

## 20. Inventories

Compared to 31 December 2010 the entry decreased by 111 thousand euro. The table below shows the breakdown of inventories:

thousands of euro	Restated		
	30/06/2011	31/12/2010	Change %
Raw material	302	320	(18)
Construction contracts	83	160	(77)
Finished products/Goods	2,364	2,380	(16)
<b>Total</b>	<b>2,749</b>	<b>2,860</b>	<b>(111)</b>

The value of inventories is recorded net of the provision for warehouse depreciation which, at 30 June 2011, totals 287 thousand euro (339 thousand euro as of 31 December 2010). The table below shows the movement in the provision for warehouse depreciation.

	Restated	Accrual	Uses	30/06/2011
	31/12/2010			
<b>Provision for warehouse depreciation</b>				
Raw materials	130		(52)	78
Semi-finished products	3			3
Finished products/Goods	206			206
<b>Total</b>	<b>339</b>	<b>0</b>	<b>(52)</b>	<b>287</b>

## 21. Accounts receivable

The accounts receivable decreased by 4,818 thousand euro, passing from 73,916 thousand euro as of 31 December 2010 to 69,098 thousand euro as of 30 June 2011.

The table below shows their breakdown:

thousands of euro	Restated		
	30/06/2011	31/12/2010	Change
<b>Accounts receivable</b>			
- customers	69,608	74,613	(5,005)
- stables, jockeys and bookmakers	718	753	(35)
- UNIRE	22,472	13,826	8,646
- payables to subsidiary SNAI Imel S.p.A.	14	14	0
- payables to associated Solar S.A.	30	0	30
- payables to associated Hippogroup Roma Capannelle S.p.A.	2	2	0
- Notes receivable for collection and in portfolio	3,816	5,395	(1,579)
- bad debt provision	(27,562)	(20,687)	(6,875)
<b>Total</b>	<b>69,098</b>	<b>73,916</b>	<b>(4,818)</b>

Receivables due from customers include the balances of Slot gaming as of 30 June 2011, net of compensations recognised to the manager (third party assigned with collection) and to the operator, which mature fortnightly with an "immediate" expiration; moreover, they include the PREU (Single Tax Levy) balances due to AAMS - Autonomous Administration of State Monopolies and are calculated at 12,60% of the game movement on the entertainment machines.

Receivables from customers include among others: loans to managers and BAP for entertainment machines (slot) for 12,769 thousand euro (8,400 thousand euro at 31 December 2010) and credits for the presentation of direct debit to customers for 7456 thousand euro (9,629 thousand euro).

The amount due from UNIRE equal to 22,472 includes:

- 15,441 thousand euro relating to old debts, bills for the year 2011 from cash and credit for the period from 2008 to 30 June 2011, concerning the contributions of so-called personalization of metropolitan racetracks as well as contributions to the development and improvement of facilities in previous years.  
As for the receivable for the development of "metropolitan" racetracks, it should be noted that on 15 September 2010 a settlement agreement was stipulated for deferred payment of the receivable for the period 2005 - 2008. Under this contract, three instalments were collected for the years 2005-2007, for which on 30 June 2011 the credit for this entry refers to the year 2008 and portions for the years 2009, 2010 and for the first half of 2011. Moreover, please note that in the month of July is the fourth instalment was collected for the year 2008;
- 7,031 thousand euro relating to the contract stipulated by Teleippica S.r.l. with the UNIRE for services of transportation, processing and transmission of video and audio signals from the Italian and international racetracks, production and transmission of the UNIRE BLU channel dedicated to points of sale for collection of "ippica nazionale" bets: transmission and daily operations of the studio and other related services.

Accounts receivable include notes receivable for collection and in portfolio for 3,816 thousand euro (5,395 thousand euro) recorded substantially net of interest charges on future due dates and received mostly from slot customers following the definition of instalment payments agreed upon following credit collection actions.

The bad debt provision was determined considering the amount of doubtful receivables, analysing the specific conditions of the debtors, the eventual guarantees offered in favour of the companies of the group and evaluating appropriately the possibilities of recovery of the disputed amount as expressed by legal counsel reports.

Taking into account the guarantees of signatures obtained by the debtor, the fund is considered adequate by the directors to meet the expected future credit losses.

In recent times court actions to recover past due receivables and enforcement of guarantees have increased significantly. These actions, supported by business analysis, have identified several tangible and intangible properties of debtors or of their guarantors on which any action of retaliation.

## 22. Other assets

Noncurrent assets, classified as other non-financial assets are composed as follows:

thousands of euro	Restated		
	30/06/2011	31/12/2010	Change
<b>Other non-financial assets</b>			
<i>Tax Assets</i>			
- treasury for tax refunds	62	62	0
- treasury for disputed taxes	73	73	0
- treasury for IRAP refunds	24	24	0
- treasury for equity taxes	54	54	0

	<b>213</b>	<b>213</b>	<b>0</b>
<i>Accounts receivable due from others:</i>			
- Receivable security deposits	517	519	(2)
	<b>517</b>	<b>519</b>	<b>(2)</b>
Due from customers:			
- notes receivable in portfolio	957	662	295
	<b>957</b>	<b>662</b>	<b>295</b>
<b>Total other non-financial assets</b>	<b>1,687</b>	<b>1,394</b>	<b>293</b>

Notes receivable totalling 957 thousand euro (662 thousand euro) are the notes due beyond 12 months received from customers for the definition of established repayment plans and entered at current value. Other current assets consist of:

<b>thousands of euro</b>	<b>30/06/2011</b>	<b>Restated 31/12/2010</b>	<b>Change</b>
<b>Other current assets</b>			
<i>Tax Assets:</i>			
- Treasury VAT due	0	120	(120)
- Treasury for IRES balance/receivable	1,319	2,301	(982)
- Treasury for IRAP prepayment	1,260	2,059	(799)
- Withholdings on interest income on c/a	82	36	46
- Other receivables due from tax authority	73	121	(48)
	<b>2,734</b>	<b>4,637</b>	<b>(1,903)</b>
<i>Accounts receivable due from others:</i>			
- TIVU+ S.p.A. in liquidation	478	478	0
- Electronic payment card	226	321	(95)
- Social security institutions	142	59	83
- Receivables from Tris Associates	0	127	(127)
- Receivables from reversal of fees on sureties	691	419	272
- Security deposits for Skill Games	282	217	65
- Security deposits for Bingo On Line	57	103	(46)
- Receivables from AAMS positions for company branch acquisition	179	179	0
Receivables from SNAICARD - Circuito Gold points of sale	615	649	(34)
- Receivables from betting licensee activities	9,226	12,538	(3,312)
- Direct deposit from BAP manager concessions	5,684	3,975	1,709
- Security deposit for slot network efficiency (SLOT)	5,458	1,994	3,464
- Slot Operators for PREU	0	0	0
- Advance on AAMS concession fee	2,250	1,224	1,026
- Receivables for payment of Single Tax Withholding interest and sanctions which were not due	1,178	866	312
- Receivables due for guaranteed minimums	0	2,429	(2,429)
- Receivables on event outcome contests and Ippica Nazionale	2,177	1,027	1,150
- Receivables Skill Games	43	96	(53)
- Receivables VLTs business	626	0	626
- VLT security deposit	166	0	166
- Other receivables	1,552	2,102	(550)
Bad debt provision due from others	(2,563)	(2,746)	183
	<b>28,467</b>	<b>26,057</b>	<b>2,410</b>
<i>Accrued income and prepaid expenses</i>			
- Accrued income	17	17	0
- Prepaid expenses	4,359	4,006	353
	<b>4,376</b>	<b>4,023</b>	<b>353</b>
<b>Total other current assets</b>	<b>35,577</b>	<b>34,717</b>	<b>860</b>

The receivables for betting licensee activities (due from BAP) for 9,226 thousand euro (12,538 thousand euro) are related to the management contract for accepting bets stipulated with the managers of the points of sale relating to the concessions acquired starting in 2006 and with corner and shop managers for activation of so-called Bersani and Giorgetti licences. These receivables accrue on a daily basis and are settled weekly, by subtracting the bets collected at

agencies, amounts of tickets paid and reimbursed, fee recognised to the manager and the difference from withdrawals and deposits made via the Punto SNAI cash register on SNAICards.

The security deposit for network efficiency (SLOT) for 5,458 thousand euro (1,994 thousand euro) is referring to the 0.5% on the gaming movement generated by entertainment machines (AWP formerly slot machine) as more fully described in Note 4 of "revenue from sales and services". It also highlights the security deposit again of 0.5% on the gaming movement generated by the paragraph 6b amusement and entertainment machines (videolottery) amounted to 166 thousand euro.

The entry "Advance on concession fee" totalling 2,250 thousand euro includes the amount paid to AAMS in January 2011 as advance payment for the first half of 2011 and related to the concession fee for the so-called Bersani, so-called Giorgetti licenses, and for the sports concessions as subject to the convention: for more details, the reader is referred to note 10.

The entry "Receivables due for guaranteed minimums" for 2,429 thousand euro at 31 December 2010, from the first half of April 2011 has been the subject of compensation payable with fortnightly UNIRE account balances, applying by analogy a communication signed by the conceding agency AAMS which was adopted for another licensee. This credit referred to the guaranteed minimums payment of 2,404 thousand euro relative to 2007 and 25 thousand euro for 2006 on some of the horse racing and sports concessions, which according to calculations made by AAMS would have collected volumes of bets below the average of the local province and which has been requested subject to joint auditing by the parties, even on basic assumptions. For details on the ongoing litigation and the related risks, the reader is referred to note 29.

Among the prepayments were:

- 2,694 thousand euro (3,197 thousand euro) relating to advance payments for fees on the sureties and insurance premiums, relating mainly to sureties issued to secure assumed contractual obligations for our concessions, the licenses and the amusement and entertainment equipment;
- 1,665 thousand euro (657 thousand euro) relating primarily to the portion not yet matured for the cost of maintenance contracts, assistance, etc.

### 23. Current financial assets

The table below shows the breakdown for current financial assets:

thousands of euro	30/06/2011	Restated 31/12/2010	Change
<b>Current financial assets</b>			
Financial current account income due from SNAI Servizi S.p.A.	0	8,968	(8,968)
Financial current account income due from subsidiaries	7	6	1
Current account earmarked (Escrow Account)	2,939	0	2,939
Former Società Fiorentina Corse Cavalli shares for merger swap	1	1	0
<b>Total current financial assets</b>	<b>2,947</b>	<b>8,975</b>	<b>(6,028)</b>

The financial current account from SNAI Servizi S.p.A. was repaid following the sale of controlling stake in SNAI S.p.A. by SNAI Servizi S.p.A. to Global Games S.p.A.

The financial current account from subsidiaries is related SNAI Imel S.p.A.

The balances of financial current accounts include interest accruing in the period, calculated at the Euribor rate at three months plus five percentage points.

The current account earmarked (Escrow Account) receives the remaining balance of cash for use in the opening of the new loan, to the payment to the advisors of the refinancing transaction of the Company and the Group as well as to expenses related to the payment and some overdue debts including PREU and the Single tax on bets.

### 24. Cash and cash equivalents

The table below shows the breakdown of cash and cash equivalents:

thousands of euro	30/06/2011	Restated 31/12/2010	Change
Bank current accounts	46,829	11,598	35,231

Postal current accounts	86	49	37
Cash on hand	349	279	70
<b>Liquid assets</b>	<b>47,264</b>	<b>11,926</b>	<b>35,338</b>
Bank overdrafts	0	0	0
<b>Net cash and cash equivalents as reported in the cash flow statements</b>	<b>47,264</b>	<b>11,926</b>	<b>35,338</b>

The variation of the period, as also shown in the cash flow statements, is due to the combined effect (i) Cash flow from operating activities for 49,772 thousand euro, mainly due to the extinction of debts, (ii) Cash flow used by investing activities for 5,142 thousand euro relating to investments made and paid during the period for the non-competition agreement for 2,135 thousand euro for the purchase of intangible assets, technology, facilities and improvements on properties net of disposals 3,007 thousand euro (iii) cash flow generated from financing activities for 90,252 thousand euro, with the provision of new funding for 354,750 euro and the repayment of the old financing for 228,000 euro in addition to changes in other assets and financial liabilities.

## 25. Shareholders' equity

The share capital of parent company SNAI S.p.A. as of 30 June 2011, entirely subscribed and paid in amounted to 60,748,992.20 euro (at 31 December 2010 60,748,992.20 euro) and is composed of 116,824,985 ordinary shares (116,824,985 ordinary shares at 31 December 2010).

Holders of ordinary shares have the right to receive dividends voted on a time to time basis, and for each share held they have one vote to express in the shareholders' meeting.

number of authorised shares	116,824.985
number of shares issued and entirely paid in	116,824.985
nominal value per share in euro	0.52

The number of the shares and the share capital has not changed since 31 December 2010.  
The shares issued are all ordinary shares.

There are no shares held directly by the Parent company SNAI S.p.A. either through its subsidiaries or associates.

## Reserves

### Legal reserves

The legal reserve amounts to 1,559 thousand euro.

### Reserve for premium on shares

The share premium reserves, amounting to 195,904 thousand euro, was established with an increase of the share capital, approved on 14 September 2006 and concluded on January 15, 2007, for 219,535 thousand euro deducted from the associated costs net of fiscal effects related to the increase of the share capital for 8,216 thousand euro, as required by IAS 32; and used for 15,415 thousand euro in the first half of 2011, to cover the loss for the year 2010, as approved by the Shareholders' Meeting of 29 April 2011.

### Extraordinary Reserve

The extraordinary reserve, in the first half of 2011, has been used for 17,954 thousand euro to cover part of the loss for the year 2010, as approved by the shareholders at the 29 April 2011.

### Retained earnings (retained losses)

The decrease of 922 thousand euro is due to the use to cover the loss for the year 2010, so at 30 June 2011 profits (losses) brought forward amount to a loss of 3,575 thousand euro.

## Minority interest

At 30 June 2011, the minority shareholders' equity is equal to zero, as none of the subsidiaries consolidated on a line-by-line of integration is owned in part by third parties.

## 26. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 was made by considering the loss attributable to holders of ordinary shares, amounting to 7,525 thousand euro (31 December 2010: loss per 32,447 thousand euro) and the



weighted average number of shares ordinary shares during the year ended 30 June 2011 amounted to 116,824,985 (31 December 2010: 116,824,985).

The calculation was performed as follows:

<b>thousands of euro</b>	<b>30/06/2011</b>	<b>Restated 31/12/2010</b>	<b>Restated 30/06/2010</b>
Earnings (loss) attributable to holders of ordinary shares = group profit for period (a)	(7,525)	(32,447)	(5,379)
Weighted average number of ordinary shares/1000 (b)	116,824,99	116,824,99	116,824,99
<b>Earnings (loss) per basic share (a/b)</b>	<b>(0,06)</b>	<b>(0,28)</b>	<b>(0,05)</b>

### Diluted earnings/loss per share

The diluted earnings/loss per share is the same as the basic earnings/loss per share since financial instruments with potential dilution effects have not been issued.

## 27. Termination benefits

Termination benefits as of 30 June 2011 total 5,424 thousand euro against 5,484 thousand euro as of 31 December 2010.

The table below shows the movements of the provision:

thousands of euro	
<b>Balance as of 01/01/2011</b>	<b>5,196</b>
Change in scope of consolidation	288
<b>Restated Balance as of 01/01/2011</b>	<b>5,484</b>
Accruals for period	57
Uses	(235)
Net financial expenses	118
<b>Balance at 30/06/2011</b>	<b>5,424</b>

The termination benefits are considered a defined benefit plan to be accounted for according to IAS 19, by applying the projected unit credit method, which entails estimating the amount to pay to each employee when he leaves the company and actualising this payable based on an assumption based on the times of leaving calculated using actuarial methods.

## 28. Financial liabilities

The table below shows the breakdown for financial liabilities:

<b>thousands of euro</b>	<b>30/06/2011</b>	<b>Restated 31/12/2010</b>	<b>Change</b>
<b>Noncurrent financial liabilities</b>			
Secured loans granted by banks	328,270	0	328,270
Payable to BAP for horse racing and sports betting concessions acquisition	113	425	(312)
Payables for financial leases	25,960	35,954	(9,994)
<b>Total other non-current liabilities</b>	<b>354,343</b>	<b>36,379</b>	<b>317,964</b>
<b>Current financial liabilities</b>			
Current portion of long term loans (Senior Loan)	0	183,951	(183,951)
Current portion of long term loans (Junior Loan)	0	43,205	(43,205)
Current portion of long term loans by banks	2,300	0	2,300
Current portion of long term loans (IBM Servizi Finanziari loan)	66	193	(127)
Payable to BAP for horse racing and sports betting concessions acquisition	355	6,522	(6,167)

Payable for the company branch acquisition	0	52	(52)
Payable for acquisition of equity in Agenzia Ippica Monteverde S.r.l.	291	291	0
Payable due to banks	20,726	20,000	726
Payable due to banks for unexpired direct debit flows	618	2,723	(2,105)
Payables for financial leases	21,003	20,948	55
Financial instruments	0	7	(7)
<b>Total current financial liabilities</b>	<b>45,359</b>	<b>277,892</b>	<b>(232,533)</b>

Among the financial payables the following should be noted:

- loans undersigned on 29 March 2011, (described in detail in the following paragraphs) recognized at amortised cost totalling 330,570 thousand euro, equal to a nominal 354,750 thousand euro and recorded net of direct transaction costs. These charges include professional fees related to the conclusion of the financing and to legal fees due to the opening of the loans. Part of these loans, 2,300 thousand euro, has been classified among current financial liabilities.
- The payables to the BAP deriving from the acts of acquisition of the concession company branches (Vendor loan) for the instalments of the residual delays as of 30 June 2011. As of 30 June 2011, the Vendor Loan on the books is represented as follows:
  - 113 thousand euro amounting to the current value of the deferred debt due beyond 12 months for the vendor loan of the contracts undersigned in 2008;
  - 355 thousand euro mainly related to the instalment for the 2008 contracts maturing in June 2012;
  - the remaining amount for IBM financing totalling 66 thousand euro relating to the integrated services contract with IBM Italy S.p.A., stipulated on the basis of the implementation required for the furnishing of the betting acceptance points, the total repayment is due in August 2011;
- the outstanding debt for the acquisition of the company Agenzia Ippica Monteverde S.r.l. equal to 291 thousand euro;
- the financial liabilities for leases totalling 46,963 thousand euro relate primarily to contracts for the purchase of a building site in Porcari (LU) and the technologies for use in betting acceptance points, better described in Note 16 "fixed assets".

the non-current financial liabilities include 154,656 thousand euro with maturity date beyond 5 years.

SNAI S.p.A., following the agreements reached on 8 March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., then undersigned a contract for medium/long term financing, divided in several tranche, for a total of 490 million euro (as described in the communication distributed on 8 March 2011). This transaction is subordinated to finalizing the acquisition of the controlling interest in SNAI S.p.A. by Global Games S.p.A., which was previously held by SNAI Servizi S.p.A.

SNAI S.p.A. had obtained on 18 March 2011 from Unicredit S.p.A. and Solar S.p.A., the previous financiers, a technical extension of the repayment date for the existing financial borrowing, to allow the discharge of the loans due at the same time as the execution of the acquisition by Global Games S.p.A.

According the agreements reached, then, on 29 March 2011, the Senior and Junior loans were promptly repaid at the same time as the execution of the aforementioned acquisition.

The tranche of financing, totalling 490 million euro, are repaid at the Euribor rate as defined in the contract and determined, which will be added to a margin that varies generally from 4.50 per 5% per annum and may be subject to adjustments due to the so-called Margin Ratchet and forecasting of market flex scheduled for the syndication strategy.

Following is a brief outline of the facility:

FACILITY	BALANCE FINANCED (EURO)	DURATION	MATURITY	MEANS OF REPAYMENT	USES	
					DATE	AMOUNT
Facility A	115,000,000.00	6 years	3/28/2017	12 half year instalments starting from 31 December 2011	3/29/2011	115,000,000.00
Facility B	135,000,000.00	7 years	3/28/2018	Bullet	3/29/2011	135,000,000.00
Capex facility	80,000,000.00	7 years	3/28/2018	9 half year instalments starting from 30 June 2014	3/29/2011 4/28/2011	11,750,000.00 23,000,000.00
Revolving facility	30,000,000.00	6 years from first disbursement	-	any use must be reimbursed in the last day of the relative period measures and for the all the duration of the availability of the <i>tranche</i> every amount repaid can be used		
Disposal Facility	70,000,000.00	18 months and a day from the first date of disbursement or in case of extension, up to 7 years and 6 months from the first disbursement	-	Bullet	3/29/2011	70,000,000.00
Acquisition facility	60,000,000.00	7 years from first disbursement	-	11 half year instalments starting from 30 June 2013		-
<b>Total</b>	<b>490,000,000.00</b>					<b>354,750,000.00</b>

The contractual clauses, among various obligations, define the stipulation of one or more contracts to hedge the interest rates on the related lines of funding.

Among the obligations set out in the loan agreement there is the adherence to the financial covenants, to be calculated from 31 December 2011. These covenants include, among other things: EBITDA, net financial borrowing, working capital, and investments.

The obligations assumed on the basis of the contract for financing described above are detailed in section 33 "Financial Obligations".

## 29. Provisions for risks and charges, litigation and contingent liabilities

As of 30 June 2011 the provisions for risks and charges amounted to 8,621 thousand euro and are handled and detailed in the following table:

thousands of euro	<b>Renewal of Slot machines network (Art. 19 specifications )</b>	<b>Tax disputes,civil disputes and contractual risks</b>	<b>Total</b>
<b>Balance at 31 December 2010</b>	<b>1,785</b>	<b>9,374</b>	<b>11,159</b>
Accruals made during the period	157	394	551
Net use during period		(650)	(650)
Reclassification to provision for bad debts		(2,439)	(2,439)
<b>Balance at 30 June 2011</b>	<b>1,942</b>	<b>6,679</b>	<b>8,621</b>

### Renewal of Slot machines network (Art. 19 specifications )

This fund consists of the periodic accruals for the technology adjustments as provided for by Art. 19 "Specification of obligations" for the awarding in concession of the activation and operation of the computerised management network for legal gaming through amusement and entertainment machines as well as connected activities and functions" from the start date of the concession. The clause of the convention provides that for every business the fund should be increased by 10 euro per clearances issued and active at the end of the year.

As of 30 June 2011, the fund amounted to 1,942 thousand euros. In the first half of 2011 an allocation of 157 thousand euro was made adapting pro rata temporis adapting to the clause of the convention.

### Tax disputes, civil disputes and contractual risks

Provision for tax disputes, civil and contractual risks includes the total amount estimated to cover the remaining entries of risk relating to the definition of relationships and disputes with third parties, including fiscal, tax and social security contributions for 6,679 thousand euro.

The accrual for the period amounted to 394 thousand is related to the estimation of future costs for litigation.

The use in the period for 650 thousand euros concerns 624 thousand euro due to the penalties for late payment of the Single Tax and to 26 thousand euro for the closure of minor disputes.

The significant disputes are described below:

### ***Disputes concerning the business of entertainment machines: the Court of Auditors findings and Administrative complaints of AAMS for alleged breaches in the management of computer network interconnection***

SNAI S.p.A., as licensee for the computerised network for interconnected entertainment games, in June 2007 from the Regional Prosecutor of the Court of Auditors of the Lazio region the from received the notification of an invitation to submit arguments concerning a hearing about the allegation of tax infractions caused by the fact that only one part of the installed base of machines were correctly connected to the state computer network (SOGEI) from which AAMS obtains the basis for the calculation of the Single Tax Holding (PREU). The supposed tax offence amounts to around 4.8 billion euro, entirely composed of penalties for the presumed failure to comply with service levels required of the concession.

In the same month of June 2007, AAMS has also issued rulings concerning the imposition of conventional penalties for 20 million euro against SNAI S.p.A.

SNAI S.p.A., together with other licensees referred to the Supreme Court of Appeals, arguing the absence of jurisdiction of the Court of Auditors on the subject at issue.

The company also appealed to the Regional Administrative Court against the AAMS rulings.

At the hearing on 4 December 2008 Lazio Judicial Section of the State Audit Court ordered the suspension of the rulings to await the decision of the Court of Cassation.

More specifically, the State Audit Court has shared the defence thesis of the licensees, accepting the plea of lack of jurisdiction, to be attributed rather to the Lazio Regional Administrative Court (TAR). The Supreme Court of Appeals United Sections in its decree confirmed the abstract admissibility of a joinder between the loss of public tax offense falling under jurisdiction of the State Audit Court and that of contractual liability (responsibility of the AAMS and the Lazio Regional Administrative Court); such a decree at the same time is not enough to dispel the ambiguity of the initial compensation claim of public tax damage that today, in our lawyers' opinion, determines the invalidity of the summons before the Supreme Audit Court according to recent regulatory provisions.

To this judgement, it should be added that, on the merits, the damages appear groundless inasmuch as not demonstrable by the conduct of the licensees.

In any case, with reference to the ruling of the Supreme Court of Appeals, the State Audit Court resumed the proceedings, dated 24 March 2010 the company received the communication (writ) from the Regional Prosecutor of the State Audit Court, which set the date for the next hearing on 11 October 2010; the hearing for discussion concluded after several hours of arguments and counter arguments with the prosecutor, with the acceptance of all the judgements. The defence of SNAI amply responded to all of the arguments and the State Audit Court decided to hold for decision all the judgments.

The sentence/order issued by the State Audit Court in this context disposed of the investigation headed by DIGIT-PA for conducting technical assessments, ordered by the court is ongoing, in contradiction with the other parties and giving the prosecution deadline for filing the completed inquiry by 11 August 2011, subsequently postponed to the end of August.

It should be noted that, at the same time, SNAI S.p.A., following a line of defence shared with the other network licensees, with the summons of 6 August 2010, formulated a motion to the State Audit Court for the declaration of invalidity of the writ of summons and of all the other inquiries and procedures as they are not founded *from the outset* on a record of concrete and specific damages, in compliance with article 17 paragraph 30 ter of Legislative Decree 78/09 (converted with modifications by Law no. 102/09).

At the same hearing described above of 11 October 2010, with order 554/2010 notified 5 November 2010, the State Audit Court declared inadmissible the petition for the declaration of invalidity of the writ of summons by SNAI (and of the other 8 licensees) and of all the other inquiries carried out by the Regional Prosecutor at the State Audit Court, in compliance with Article 17 paragraph 30 ter of Legislative Decree 78/09 converted with into Law no. 102/09. SNAI has appealed against the aforementioned order.

With reference to the rulings issued by AAMS, the Regional Administrative Court (TAR) had already decreed on the stipulated penalties imposed by the AAMS in June 2007, first suspending the application and then arranging for the cancellation with sentence No. 2728 of 1 April 2008, now *res judicata*. In compliance with this ruling, AAMS has recalculated and reduced the penalties (so-called "little penalties"). SNAI S.p.A. has appealed to the Lazio Regional Administrative Court (TAR) for annulment of such penalties. By sentence n.12245/09 of 1 December 2009 the Regional Administrative Court (TAR) of Lazio dismissed the appeal brought by SNAI. The legal advisors highlighted the critical profile of this case that hint at significant margins to get overturned on appeal in line with what happened with another network licensees which have had their petitions for suspension accepted.

Following the verdict cited, on 25 February 2010, AAMS requested the payment of those penalties of 2,2 million euro with communication prot. 2010/6920/Giochi/ADI, which had been allocated to the provision for risks.

We report that an AAMS managerial note was received on March 2, 2011 bearing a dispute of non-fulfilment of service levels set out in Annex 3 of the concession agreement for the award of the operational management of the network for the electronic management of legal gaming machines and amusement machines with and entertainment, which quantifies the so-called fourth "little penalty" (penalina) in 8.4 million euro against which the company is preparing to request access to the proceedings and extension of the deadline for submitting their comments with the purpose of verifying the recalculation of the penalty. At the moment there are not sufficient elements to determine the amount of liability that may arise after the recalculation process.

By virtue of the above and the advice of its own outside legal advisors the Company has earmarked a fund for risks considered reasonable to cover any liabilities relating to the requests of the State Audit Court and AAMS that may result from the legal proceedings underway.

### ***Disputes concerning the business of entertainment machines: Single Tax Withholding (PREU) risk fund***

Please note that the company has received from AAMS some notifications for alleged non-compliance in terms of non-payment of Single Tax Withholding (PREU) for network management from 2004 to 2008. We report the latest developments of the various rulings by year of dispute.

On 30 July 2009, the Company submitted a timely appeal to the Regional Administrative Court (TAR) of Lazio challenging the applicability of the penalty ruling of PREU for the years 2004, 2005 and 2006 and following years.

On 8 January 2009 the Tuscany and Umbria Regional Office of AAMS based in Florence communicated the results of the automated inspection for the liquidation of the Single Tax Withholding (PREU) for the years 2004 and 2005. Our inspection exposed some mistakes and incompleteness which we had quickly pointed out on 6 February 2009. With a note dated 25 June 2009, AAMS informed us that as a result of our observations mentioned above, the mistakes and incompleteness we collected were taken into consideration. From this additional verification by AAMS, a new communication dated 25 June 2009 originated with which was challenged the Single Tax Withholding (PREU) to be paid for 729 thousand euro, interest due of 451 thousand euro and 11,780 thousand euro for ordinary sanctions that reduced to 1/6 amounted to 1,963 thousand euro.

On 29 July 2009, the division of payment into instalments was requested as provided for in the statement given above, granted by AAMS on 30 July 2009. On the same day we proceeded to punctually pay the first instalment. Meanwhile, on 30 July 2009 an appeal was brought before the Lazio Regional Administrative Court against this act. A similar mechanism was followed for the Single Tax Withholding (PREU) for 2006 for which AAMS in January 2010 challenged the tax payable for 243 thousand euro, interest owed for 151 thousand euro, and reduced penalties for 556 thousand euro for which the option to pay in instalments of multiple years had already been obtained. On the basis of specific legal advice, we believe that there are reasonable grounds for regarding the outcome of the appeal brought as positive, which gives rise to the surmounting of the claims in particular with regard to the interest and penalties applied to which we have conservatively adhered with the benefit of deferred payments.

Following the above, the company listed among the other liabilities the tax needed for the years 2004-2005-2006 and allocated an appropriate risk fund to cover any liabilities relating to the penalty rules that may result from court proceedings underway.

Finally on 30 December 2009, AAMS dispatched to SNAI S.p.A. an "amicable" settlement for the PREU due in 2007. The amount required is approximately 2.8 million euro as PREU and 300 thousand euro in penalties and interest. On 2 February 2010, SNAI responded putting forward reasons of merit, with particular reference to the count indicated by the AAMS. The Company has highlighted errors and incompleteness in the observations contained in the notice by AAMS which has finally quantified the Preu tax in 646 thousand euro and a total of 765 thousand euro for interest and penalties due to Single Tax Withholding (PREU). This amount has been admitted to payment in 20 Quarterly instalments starting from 2 August 2010 until 1 June 2015. Therefore, the prorated amount was entered into the debts, to which reference is made, and at the same time, the fund has been used for the same amount.

On 16 December 2010, an amicable settlement was received from AAMS for the PREU for 2008 bearing respectively 127 thousand euro of PREU and 149 thousand euro in penalties and interest, against which observations and comments were produced by the Parent company. On 30 June 2011, SNAI received the final demand related to Single Tax Withholding (PREU) 2008 for a total of 183 thousand euro (45 thousand euro PREU, 105 thousand euro in fines and 33 thousand euro in interest). On 22 July 2011, SNAI has made full payment of this amount.

On the advice of its legal advisors, the Group believes that it can prudently rely on the defence strategy and, accordingly, on the positive outcome of the appeal, from which the sanction claims of the tax office would be overcome. Provisions in the budget are sufficient to cover losses arising from the litigation described.

### ***Disputes concerning the business of entertainment machines: proceedings of the account given by the Deputy Prosecutor to the State Audit Court.***

The Regional Prosecutor State Audit Court has issued a penalty of 150 million euro against SNAI S.p.A. for alleged failure to submit the "judicial account", relative to all the economic flows resulting from the management of legal gaming as licensee of the network.

By decree of the President of the Lazio Regional Chamber of the State Audit Court the request for the rendering of account has been renewed by setting the deadline for its respective deposit. With a defence brief, the categorization of SNAI was opposed, which has no handling of public money being subject to Single Tax Withholding (PREU). On 27 April 2010, the Regional Prosecutor notified by writ to accuse SNAI S.p.A. for omitted accountability. The Court during the hearing for convocation and discussion of the judgment of 7 October 2010 about the sanction requested by the Prosecutor for declared delay in the presentation of the account received the considerations of the defence of SNAI and of the other licensees who decided to go through the same ruling.

The defence counsels have carried out analytical considerations on the substantially unfounded claims of the inquiring prosecutor and hold that the Court should evaluate the requests of exoneration of responsibility for the delay, considering the modality of the delivery of the account according to the modern form of communication via Network of

relevant data to Sogei S.p.A. in substitution of the application of the regulation, going back to 1862, for whom had 'management' of public money.

Following the result of the hearing the State Audit Court fully rejected the Prosecutor's questions blaming AAMS for the failure on behalf of judicial account within the terms of the law. On 4 March 2011, notice was given publicly that the public prosecutor has launched an appeal against the first instance ruling.

***Ruling for cancellation relative to the 1310 horse racing licenses awarded as a result of the call for tenders of which according to Art. 38 Legislative Decree 223 of 4 July 2006 converted with integration and amended by Law 248 of 4 August 2006.***

On 28 and 30 January 2009, AAMS communicated the start of the proceedings of foreclosure reported, indistinguishably, in 1,896 horse-racing licences and 192 sports licences, awarded following the Bersani call for tenders, motivated by findings by SOGEI S.p.A., which showed that when at the expiry of the conventional opening deadline, the businesses were not operational.

With respect to this case, SNAI S.p.A. immediately responded by forwarding a preliminary brief of arguments which concludes with a request for the dismissal of the ruling for the revocation mentioned above and simultaneously appealed the two measures to the Lazio Regional Administrative Court.

The defence approach which inspired such a response was mainly based on the occurrence of some objective circumstances and were not in the sphere of control and reaction of the licensee SNAI and which characterised the placement phase of the licenses in question.

With the note dated 16 April 2009, AAMS announced the suspension of the revocation ruling.

On 4 August 2011, the Parent company received from AAMS a ruling with which the forfeiture of 1,310 horse racing licenses awarded as a result of the Bersani call for tenders, inasmuch as they were not activated within the agreed upon terms. The Parent company immediately disputed the ruling giving additional and supplementary reasons to the petition already presented to the Lazio Regional Administrative Court (TAR) in 2009 that had suspended the revocation proceedings in April 2009. On 5 August 2011, the Regional Administrative Court (TAR) of Lazio, has quickly responded accepting the petition for suspension and fixing the Council Chamber date for 1 September 2011.

The residual carrying value of the licenses which are the object of the ruling amount to 9,6 million euro as of 30 June 2011.

On the basis of legal opinions obtained and aside from the nature of uncertainty which characterises the matter, the Company does not consider probable, at the moment, the risks of suffering an adverse outcome in the above dispute.

***Ruling of revocation/forfeiture of some awarded licenses as a result of the Bersani call for tenders***

The Director General of AAMS announced more measures to initiate the revocation and forfeiture procedure for 59 licences for non-activation granted to SNAI S.p.A. following the "Bersani" call for tenders on the assumption that the licence has not been activated within the agreed upon terms. The Company has promptly submitted an appropriate petition to the Regional Administrative Court (TAR) of Lazio submitting its statement of reasons.

The issues are still not defined. Based on legal advice obtained and without in any case the nature of uncertainty surrounding the matter, the Parent company does not believe at the time, probable risks of negative outcomes in regard to that dispute into account, which in the past for similar rulings, AAMS did not follow forfeiture measures.

***Disputes connected to the betting business: Guaranteed Minimums***

It should be remembered that SNAI S.p.A. received from AAMS different notifications for the smaller movements carried out by several horse racing and sports concessions in the course of 2007-2008 and for which were required by AAMS payments for guaranteed minimums. We report the most recent developments for various rulings divided by year of dispute.

With AAMS notes 2009/20716 of 29 May 2009, the Authority has given notice to SNAI of the payment of guaranteed minimums for the year 2008 for a total of approximately 11.1 million euro. On 17 September 2009, the company, through its legal counsel, filed a special appeal to the Lazio Regional Administrative Court for the cancellation prior suspension of the rulings requiring the payment of guaranteed minimums for the year 2008.

The Regional Administrative Court (TAR) of Lazio has accepted with ruling n.10860/2009 published on 5 November 2009, the action brought by SNAI cancelling the request by AAMS with regard to the payment of the guaranteed minimums for 2008.

A similar procedure was performed for the request that AAMS has promoted for 2009 for 204 horse racing concessions for a total of 7.4 million euro against which a pre-trial request was promoted to the Regional Administrative Court (TAR) of Lazio in order to solicit the definition of the proceedings.

In addition, following harsh litigation brought before the TAR of Lazio by many horse racing concessions for guaranteed minimum years 2006-2007, the Regional Administrative Court delivered judgments nos. 6521 and 6522 of 7 July 2009 by eliminating the payment notice sent by the AAMS, holding it to be illegitimate to the extent that it had not been preceded by the definition, although provided for by law, so called "safeguard mode" of the existing licensees to opening of the market created by D.L. 223/06 (so-called Bersani reform). The TAR also recognized in AAMS the legal obligation to adopt these measures, aimed at an overall balance of the operating conditions of the concessions prior to the aforementioned reform.

Based on these assumptions, it can reasonably be considered that SNAI S.p.A., for all the concession accounts in its possession, should benefit from the complete remodelling of the requests from AAMS with the adoption of "safeguard" measures.

It should be noted that on the subject of the guaranteed minimums, SNAI S.p.A. had provided, in fulfilment of the request of AAMS without admitting acceptance to the payment of the guaranteed minimums for 2006 for the amount of 2.4 million euro. The amount paid has been recognized among the payables to AAMS in as much as it is considered repeatable and the Parent Company communicated to AAMS that the licenses of the Parent company will be represented in all the appropriate venues, so that the requested amounts could be returned to a fair level and the behaviour of the same Entity evaluated. Recently, on petition with other licensees, the Regional Administrative Court (TAR) of Lazio has spoken of withdrawing the requests of AAMS and requiring the authority the same prior definition of the so-called "safeguard measures" in relation to the fact that the Bersani call for tenders and the successive calls, the exclusive territorial concessions previously granted in the concessionary acts, have in fact been exceeded following the awarding of numerous additional concessions for the collection of both sports and horse racing betting.

Lastly, also based on the communications regarding this issue sent by AAMS to another licensee, starting from the first fortnight of April 2011, the payable for 2,429 thousand euro for the payment mentioned above for the guaranteed minimums relative to 2006 paid by the Parent company to AAMS in previous years is the object of compensation with current payables of UNIRE (now ASSI) fortnightly balances.

The Group, also supported by the opinion of its legal advisors, believes there is no risk such as to have to succumb to the demands now advanced by the AAMS.

#### ***Partial tax audit***

On 11 July 2011, the Tuscany Regional Directorate of Revenue, Sector Controls, Litigation and Collection, Large Taxpayers Office, began, in the context of the so-called "tutoring" set forth in Art. 27 of Legislative Decree 185/2008, a partial tax audit having as object the 2009 and 2010 tax periods by the regular application of the tax withholdings pursuant to Art. 26 and following of DPR 600/1973, on the interest paid for the Senior loan (opened with Unicredit Banca d'Impresa S.p.A.) and also the Junior (opened with SOLAR S.A.) outstanding in those years.

The Company, on 26 July 2011, on the basis of the requests formulated by the Large Taxpayers Office (DRE), promptly supplied ample documentation to support and to justify the behaviour with reference to the non-application of the abovementioned withholding on the interests paid to the two financiers in the course of the tax periods under review.

In relation to those loans, SNAI has already had a similar tax verification in 2009 for the years of 2006, 2007, and 2008, concluded in December 2009 with the delivery of the Formal notice of assessment (**PVC**).

Subsequently, on 15 October 2010, by signing an act of definition for all claims arising from the findings contained therein, with reference to the findings on withholding, SNAI S.p.A. had been challenged for the failure to conduct, certify, and pay the withholding tax on interest payments (by SNAI S.p.A.) to the same lenders (Solar S.A. and Unicredit Banca d'Impresa S.p.A) for the operation of purchase of the 450 company branches carried out in 2006, under Articles. 26 and 26 quater of Presidential Decree 600/1973 and also pursuant to Art. 37 bis of Presidential Decree 600/1973.

#### ***Risk assessment***

At the current state, even if it is plausible that the DRE will attempt to retrace the same reasoning as argued in the Formal Notice of Assessment (PVC), it is not possible to make determinations with regard to claims that have not yet been concretely expressed and that will become contestable by the company only after the notification of the Formal Notice of Assessment (PVC), containing any findings with which will be provided necessarily the logical and judicial motivations and justifications of the claim manifested by the verifiers.

However, for more detailed information, it should be noted that the amount of interest paid to the two lenders would amount to 20 thousand euro for 2009 and 16.5 thousand euro for 2010.

In addition, it should be remembered that, at the outcome of the PVC, the company will still have the ability to define any remarks contained in it using the various deflationary tools at its disposal which, if used, will result in a significant reduction of the tax claim. In this context, it must be pointed out how the previous definition of that important content in the PVC allows us to consider a possible reduction of the possible financial liability, without neglecting the possibility of obtaining, both at the verification and at the next definition of formal notice of assessment, better conditions also including the outcome of the evaluation of documentary evidence held by the verifiers.

More specifically, if the verifiers were to proceed with the finding for failure to pay the withholding on interest paid to lenders and at the same time, were to recognize the same conditions provided for in the definition of PVC, the following framework could be outlined: (i) the conventional withholding could be applied of 10% (rather than the national average of 12.5%), (ii) a penalty may be applied 120% of the total (instead of 150%) on interest paid to SOLAR S.A., (iii) the

penalties may be cancelled relating to failure to make deductions in respect of funding Unicredit Banca d'Impresa S.p.A, finally (iv) the penalties would then be possible to apply a reduction depending on the modality of the injunction defined.

At this stage, moreover, it cannot be excluded that any claim reconnected to the original formal notice of assessment (PVC) and raised by auditors during the current audit can be challenged by the Company.

In this sense, the Directors, after consultation with its legal advisors, believe that the company is able to defend the correctness of its conduct, emphasizing the full effectiveness and autonomy of the companies that have provided the loans and perceived their interests, with specific appropriate arguments to counter any claim of the Inland Revenue Service, both in law and in fact, while taking into account the uncertainty that characterizes any dispute.

In this context it would be important to identify and provide arguments which allow to hypothesize and structure a certain discontinuity with respect to previous similar claims which the Company has shown, in some way, an act of acquiescence under the previous injunction; alternatively, highlighting the reasons according to which the same company while convinced of the correctness of their work has decided to honour the PVC acknowledging the payment of sums for withholding taxes and penalties.

In light of all the considerations and arguments set out above, the Directors believe that the risk of a liability against the company would only be possible and that at the moment, the amount of any such liability cannot be quantified, depending on the amounts that may be claimed as withholding or penalties; so the Company has not posted any provision in the budget.

### ***Mortgage tax for Montecatini Racetrack***

In 2006 the mortgages on the racecourse of Montecatini and Milan were opened to guarantee the Senior and Junior loan contracts. The related deeds were recorded respectively at the Land Agency - Office of the Province of Pistoia - the Pescia branch and at the Agency of the Territory of Milan - Milan Real Estate Advertising Service, at which it was paid in full the proportional tax on both deeds. The Land Agency of Pistoia has communicated three notices of liquidation to SNAI S.p.A. for a total of 2,610 thousand euro on the assumption of independence of the deeds. The Company has made opposition.

Pending litigation, after the verdict unfavourable to the company, at first instance and on appeal to the court, the petition to appeal was prepared for the Appeals Court for the procedural aspects are considered not insignificant.

It should be noted, moreover, that on 10 March 2010, after receiving the notification of the demand for payment from Equitalia Cerit S.p.A., with which the amount of 2,609.516.60 euro as taxes and 241,915.13 for collection fees, the Company already paid 2,935.454.70 euro (including sanctions and interest) in a single solution on 16 August 2010. At present, the payment demand is still pending before the Provincial Commission responsible for the annulment of the case in which the collection fees were requested. The appeal shall be submitted promptly intervening first payment as the company, after consultation with the tax advisors, believes that such fees are not due because the tax is not applicable mortgage note.

### **Risk assessment**

Having paid in full the amounts claimed, there are no significant residual risks of contingent liabilities. The actions taken by the company for the recovery of sums paid are still ongoing. Any refunds resulting from a favourable outcome of the proceedings will be recorded in the income year in which they are defined.

### **Other tax disputes**

As of this date, there have not been any other notifications of further disputes with Tax Authorities for the purposes of VAT and direct taxes which could originate additional tax liabilities, except that in October 2010, the Provincial Directorate Tax authority of Lucca sent 4 notices of adjustment and liquidation for the same acts of buying and selling of the company branches with which the Lucca territorial office liquidated the registration taxes and the related interest on those acts for about 12,000 euro. At first sight the method of calculating the greater tax appeared susceptible to strong rebuttals which the legal consultants have articulated in timely appeals.

### **Other Disputes**

#### ***Omniludo S.r.l. and Blu Line S.r.l.***

SNAI was sued in April 2007 for alleged breaches of contract by the supplier Omniludo S.r.l. These alleged breaches of contract are based on an alleged contractual right existing with the other party concerning the installation of slot machines in bet acceptance points (existing and newly opened) belonging to the SNAI network.

These alleged violations had originated counterpart requests, however unsuccessful at first instance, as per article 700, tending to declare SNAI responsible for the violation of the contractual obligations and in particular, of the license of commercial exclusivity of article 3 and 4 of the contract of 29 June 2005 and to condemn the cessation of the alleged violations with a request of daily penalties for every day of delay in the application of the sentence indicated by Omniludo for 100,000.00 euro for every Slot of the competition in addition to the repayment of damages suffered and to be suffered.

On the basis of the first ruling of the Court of Lucca filed on July 9, 2007, the court upheld in part the demands of the counterparts inhibiting SNAI from the installation of more slot machines in its betting acceptance points. Following the complaint, notified on 10 August 2007, the Court of Lucca has accepted the demands made by SNAI, cancelling the first



order filed on July 9, 2007, and condemning OMNILUDO to pay the costs of the proceedings. The case was prepared and was referred for details of the findings on June 17, 2011 subsequently postponed to 22 June during which SNAI filed the joining of the judgement with that already pending before another section of the same court and the Judge reserved the right to make a determination.

With a summons served on 17 June 2008, Blu Line sued SNAI for presumed contractual breaches related to management of the SNAI card circuit and Punti SNAI Web.

The presumed violation originated from requests for damages from the counterparty Blu Line for:

- ascertaining SNAI's contractual breach as effect declaring termination of all its contracts of which it is part;
- condemn SNAI S.p.A. to compensate for all damages suffered and to be suffered to the extent of not less than 20,000,000.00 euro plus interest in one or another measure that will be recognized and determined by the judge, in fairness.

With the sentence issued on 18 April 2011 the Court of Lucca has:

- declared closed for non-compliance by SNAI the contracts stipulated with Blu Line, condemning SNAI to reimburse Blu Line for 95,000 euro;
- ruled closed for non-compliance by Blu Line the contract of 14 August 2007 condemning Blu Line to pay SNAI 321,490.64 euro plus interest and revaluations;
- refused the demand for reimbursement by Blu Line, for 20,000.000.00 euro.

Therefore, as a result of the sentence, there emerged a difference that Blu Line owes SNAI S.p.A. of 266,170.42 for which SNAI S.p.A has the notification of the injunction underway.

In the light of the trend of the disputes, on the advice of its own legal advisors, the Board of Directors believes that the risk of a negative outcome is remote and therefore, it has not accrued any provisions.

### 30. Noncurrent various accounts payable and other liabilities

The various noncurrent accounts payable and other liabilities are composed as follows:

<b>thousands of euro</b>	<b>30/06/2011</b>	<b>Restated 31/12/2010</b>	<b>Change</b>
<b>Noncurrent various accounts payable and other liabilities</b>			
<i>Tax Liabilities</i>			
- PVC Debt for instalments	3,144	4,389	(1,245)
	<b>3,144</b>	<b>4,389</b>	<b>(1,245)</b>
<i>Due to others:</i>			
determined payables due to AAMS			
- PREU payables for instalments for previous years	978	1,046	(68)
INPS amnesty/injunction to pay			
- payable security deposits	18	20	(2)
	<b>996</b>	<b>1,066</b>	<b>(70)</b>
<b>Total miscellaneous payables and other non-current liabilities</b>	<b>4,140</b>	<b>5,455</b>	<b>(1,315)</b>

Other current liabilities are as follows:

<b>thousands of euro</b>	<b>30/06/2011</b>	<b>Restated 31/12/2010</b>	<b>Change</b>
<b>Other current liabilities</b>			
<i>Tax Liabilities</i>			
- for VAT revenue office	558	0	558
- to Treasury for income taxes	1,599	1,531	68
- to Treasury for single tax on bets	3,329	24,908	(21,579)
- PVC Debt for instalments	2,536	1,881	655
- to Treasury for various tax liabilities and tax "amnesty"	97	24	73
- to Treasury for employee Irpef contributions	574	544	30
- for tax withholding account	1,235	243	992
	<b>9,928</b>	<b>29,131</b>	<b>(19,203)</b>
<i>Liabilities to Social Security Institutions</i>			
- due to INPS	1,192	1,197	(5)

due to INPS by injunction	0	199	(199)
- due to ENPALS	192	327	(135)
- due to supplementary pension funds	205	263	(58)
- due to INAIL	95	15	80
- due to Previdail and others	85	106	(21)
	<b>1,769</b>	<b>2,107</b>	<b>(338)</b>
<i>Other current payables</i>			
- due to employees	2,221	1,681	540
- due to totaliser employees	43	36	7
- due to Sogei	611	611	0
- due to directors	186	650	(464)
- Payables for non-competition agreement	2,569	0	2,569
- due to circuito gold BAP	1,143	1,236	(93)
- for SNAI Card gaming balances	4,069	5,595	(1,526)
- due to customers for winning and reimbursements on bets	1,190	2,047	(857)
- due to customers for accepted bets (antepost)	1,363	3,445	(2,082)
- To AAMS to event outcome contests and national horse racing	4,334	5,320	(986)
- Due to third parties for winnings event outcome contests and national horse racing	726	250	476
- security deposits	1,601	869	732
- PREU payable	9,626	38,193	(28,567)
- PREU payables for instalments for previous years	420	347	73
- Payables due to Slot managers for PREU adjustment	0	1,891	(1,891)
- Due to U.N.I.R.E. fortnightly balances	1,942	2,291	(349)
- Due to AAMS for unclaimed tickets	262	405	(143)
- AAMS payables for concession fee	1,104	1,197	(93)
- To AAMS for slot and VLT network efficiency security deposit	1,839	1,994	(155)
- determined debts v/AAMS	11,931	11,879	52
- payables to third parties for management of Bingo On Line	157	219	(62)
- payables to players for Skill Games tournaments	147	29	118
- debts to third parties for Skill Games management	366	515	(149)
- debts to third parties for VLT management	159	0	159
- due to others	2,093	546	1,547
	<b>50,102</b>	<b>81,246</b>	<b>(31,144)</b>
<i>Accrued expenses and deferred income</i>			
- Accrued expenses	551	93	458
- Deferred income	1,022	341	681
	<b>1,573</b>	<b>434</b>	<b>1,139</b>
<b>Total other current liabilities</b>	<b>63,372</b>	<b>112,918</b>	<b>(49,546)</b>

Among the tax liabilities there are:

the current residual debt for the Single Tax on horse racing and sport betting amounts to 3,329 thousand euro relative to the tax charge of June:

the PVC debt for rescheduling for a total of 5,680 thousand euro relative to the definition of the tax settlement proposal following the Formal Notice of Assessment- PVC in December 2009, of which 3,144 thousand euro expiring in more than 12 months and 2,536 thousand euro expiring within 12 months. The amount includes the amount of tax, penalty and interest as defined in the minutes of meeting of 14 October 2010 in which the delay in payment over 12 Quarterly instalments was agreed. The principal amount of the tax settlement proposal regards tax withholding on interest paid to lenders in previous periods which, due to the progressive payment, they would give the final recipients the right to claim recognition of tax credits in their states of fiscal residence, if covered by national tax laws.

Among the other liabilities are listed the debts to AAMS for guaranteed minimums accrued and vested with the acquisition of the concession company branches equal to 11,931 thousand euro (11,879 thousand euro in 2010) and relative to:

- 5,663 thousand euro for the annual instalment expiring on 31 October 2011 discounted at 30 June 2011 at the rate of 5,55% which represents the cost on the market of the financial instruments,
- for 5,700 thousand euro for the instalment expired on 30 October 2010,
- for the rest as a separate rate of the instalment for guaranteed minimums expired October 30, 2009. The payment of the instalment of 30 October 2009 had been suspended following the recent ruling by the TAR of Lazio originating

from the petition presented by SNAI S.p.A. to the Administrative Judge against the payment of the minimums guaranteed.

The Regional Administrative Court (TAR) of Lazio by order 165/2010 of 13 January 2010 dismissed the appeal on the grounds that the claimed "safeguard mode" was not related to the economic agreements prior to 2003. Nevertheless, also supported by the opinion of its own legal counsel, the Group confirms the prudent reliance on a favourable outcome of the litigation on appeal, as well as reshaping the pending litigations. On 11 June 2010 and on 27 July 2010 payment was made of the guaranteed minimums amounting to 2,169 thousand euro and 2,794 thousand euro requested by AAMS in spite of disputes pending before the Lazio Regional Administrative Court (TAR) which on several occasions has suspended the enforceability pending the enactment of the so-called "safeguard clauses" as yet undefined; Finally, we report that subsequently to the close of the half year period, on 5 July 2011 further payments of the guaranteed minimums were made for 4,627 thousand euro with the goal to obtain the issuance of the new concession for remote gaming: in the course of the payment, it was communicated no acquiescence of SNAI S.p.A. to that payment reserving for the Company every possibility to claim and obtain an adequate refund of the amount not owed.

The PREU debt for rescheduling totalled 1,398 thousand euro of which 978 thousand euro expires in more than 12 months.

The risk connected to the ongoing disputes has been appropriately guarded against with the sufficient accrual to the risk provision as commented in the paragraph of note 29.

The debt to Sogei, the company that administers the betting data on behalf of the Finance Ministry, for 611 thousand is related to previous games related to the debt that originates from the reduction in the Single tax rate for the period from 1 January 2003 to 30 June 2004 amounting to 497 thousand euro for Milan and to 114 thousand euro for Montecatini, including interest as notified in February 2006 whose enforceability was subsequently suspended.

The amounts payable to AAMS for event outcome contests and national horse racing amounting to 4,334 thousand euro (5,320 thousand euro in 2010) are relative to the balances due to the State Monopolies with respect to movements of event outcome contests.

Payables were also recorded on acceptance of horse racing and sports bets in the concession company branches related to:

- the balance of the cards for the electronic game SNAICard for 4,069 thousand euro;
- the debts collected for the bets until June 30, 2011 and which the events have not yet occurred (antepost betting) for 1,363 thousand euro;
- the debts towards players for accrued winnings not collected by 30 June 2011 for 1,190 thousand euro and the prize money for horse racing betting and event outcome contests for 726 thousand euro;
- the debt for the U.N.I.R.E. horse racing levy for 1,942 thousand euro due for the second half of June and paid by the deadline (5 July 2011);
- the debt towards AAMS for winning tickets and repayable prescribed for 262 thousand euro related to the prescribed for the month of June.

Lastly, below are shown the payables due to AAMS deriving from the activity as Licensee of the network for the entertainment and amusement machines (AWP formerly slot machines) and paragraph 6b (VLT):

- 1,104 thousand euro for the debt for the concession fee due for the month of June (0,3% on the gaming movement generated by the AWP and VLT machines).
- 1,839 thousand euro equal to what was matured as a security deposit on network efficiency (slot) (0.5% on the gaming movement generated by the amusement machines AWP and VLT as better described in Note 4 "revenues sales and services");
- 9,626 thousand euro for the net debt on the Single Tax Withholding (PREU), calculated on the movement of AWP and VLT entertainment machines. The payable is booked net of any adjustment PREU calculated on the installed machines at the BAP and as of 30 June 2011 estimated to amount to 1,199 thousand euro due to the licensee, as per AAMS Decree of 11 March 2010 prot. No 2010/8892/ADI.

The deferred income item totalling 1,022 thousand euro refers mainly to the amount not yet accrued of revenues invoiced ahead of time to the shops and corners.

### 31. Accounts Payable

The table below shows the breakdown of trade account payables:

thousands of euro	Restated		Change
	30/06/2011	31/12/2010	
<b>Accounts payable</b>			
- suppliers	27,825	52,119	(24,294)

- stables, jockeys and bookmakers	7,278	3,856	3,422
- foreign suppliers	1,406	1,411	(5)
- advances to suppliers	(1,748)	(2,147)	399
- credit notes to be received	(875)	(897)	22
- payables to SNAI Servizi S.p.A.	0	34	(34)
- payables towards affiliated company Connex S.r.l.	188	74	114
- payables to affiliated company Solar S.A.	30	0	30
- payables due to sister company Tivu+ S.p.A. in liquidation	43	52	(9)
<b>Total Accounts payable</b>	<b>34,147</b>	<b>54,502</b>	<b>(20,355)</b>

It should be noted the among the payables to suppliers as of 31 December 2010, the amount of 23,417 thousand euro to the Punto SNAI coordinators (so-called PSC) due for the commitment assumed by the same for non-competition and to renounce from any claims against SNAI starting from the subscription of the agreement and for a period of 5 years. The amount was liquidated in the course of the first half of 2011. The portion of the accounts payable overdue is substantially in line with 31 December 2010.

### 32. Overdue debt positions

As required by Consob through Communication protocol 10084105 of 13 October 2010, the debt situation of the Group are shown, broken down by nature, with specific highlight on amounts past due.

(values in thousands of euro)

<b>Current liabilities</b>	<b>Balance at 30/06/2011</b>	<b>Overdue as of 30/06/2011</b>
Financial Payables	45,359	291
Accounts payable	34,147	11,453
Tax Liabilities	9,928	-
Liabilities to Social Security Institutions	1,769	-
Other debts	50,102	6,880
	<b>141,305</b>	<b>18,624</b>

The following comments should be noted:

- Financial payables; the analytical amounts are present in note 28, Financial liabilities. The overdue amount of 291 thousand euro refers to the nominal residual value of the equity investment acquired in 2009 of Agenzia Ippica Monteverde S.r.l., on which there are still on-going activities of verification and definition of the value of the sale price.
- Trade account payables; the analytical amounts are in note 31, Trade account payables. These amounts are derived from current relationships with suppliers of goods and services. The amounts overdue as of 30 June 2011, amounting to 11,453 thousand euro, form part of the current and operational structure due to suppliers of services and goods; those amounts, prevalently, were liquidated after 30 June 2011. In some cases, a new due date was agreed on. At present, there were no initiatives worthy of note by any supplier, such as the suspension of services or supplies, legal payment collection notices, or injunction orders.
- Other debts; the analytical amounts are present in note 30, Miscellaneous payables and other liabilities (other current liabilities), which largely relates in detail the notes on the most significant amounts. Among the amounts classified as overdue, there is the amount of 611 thousand euro related to payables towards Sogei by Trenno S.r.l. Concerning this amount, the Company has, in reality, appealed and received a favourable opinion from the Provincial Tax Commission at first degree (2006) with the annulment of the related tax assessments and then in the second degree (2008) of the Regional Tax Commission, confirming the decision of the first degree. Trenno S.r.l., on the date of preparation of this financial statement, is waiting for an abatement. The remaining amount of 6,269 thousand euro for the balance of "Other outstanding debts" relates primarily to the proportion of past guaranteed minimums for which the reader is referred to the specific comment in note 30.

### 33. Financial commitments

The Group, in addition to what is stated in the financial liabilities, has undertaken financial obligations related to the issue of sureties for a total of 213,069 thousand euro (213,450 thousand euro as of 31 December 2010).

Regarding the amounts reported in the financial statements as of 31 December 2010, below are the changes in the financial commitments:

### **Decreases**

- for 1,828 thousand euro as surety in favour of the Autonomous Administration of State Monopolies to ensure the proper execution of obligations of sports concessions;
- for 21 thousand euro as surety in favour of Siemens Reting S.p.A. for the financial leasing contract expiring on 31 January 2013 in the interest of Trenno S.r.l.;
- for 5,690 thousand euro in favour of the Autonomous Administration of State Monopolies, issued by Unicredit and maturing on 30 June 2017 for the concession of horse racing and sports bet acceptance;
- for 5 thousand euro in favour of the Autonomous Administration of State Monopolies, issued by Banca Nazionale del Lavoro, to ensure the proper execution of the activities and functions entrusted and the timely and accurate payment of charges of the concession fee and any other income established by the legislation in the field as well as the fulfilment of all obligations due to the bettors by the concessionaire due on 30 June 2013;
- for 9 thousand euro in favour of the Autonomous Administration of State Monopolies, issued by Banca Nazionale del Lavoro, to ensure the proper execution of the activities and functions entrusted and the timely and accurate payment of charges of the concession fee and any other income established by the legislation in the field as well as the fulfilment of all obligations due to the bettors by the concessionaire due on 30 June 2013;
- for 10 thousand euro in favour of the Autonomous Administration of State Monopolies, issued by Unicredit to ensure the proper execution of the activities and functions entrusted and the timely and accurate payment of charges of the concession fee and any other income established by the legislation in the field as well as the fulfilment of all obligations due to the bettors by the concessionaire due on 30 June 2013;
- for 9 thousand euro in favour of the Autonomous Administration of State Monopolies issued by Unicredit to guarantee the payment of instalments on the agreed dates relating to the debts accrued by licensees with the public Treasury and with CONI expiring 31/10/2012;
- for 375 thousand euro for the Ministry of Economic Development to back prizes promoted for the prize contests;
- for 725 thousand euro as surety in favour of the Autonomous Administration of State Monopolies to ensure the proper execution of obligations of horse racing concessions;
- for 17 thousand euro as surety issued by Groupama in favour of Mochi S.r.l. to guarantee the obligations under the leasing contract, warranty expired on 17 June 2011;

### **Increases**

- for 1,103 thousand euro sureties in favour of AAMS as a guarantee for the opening of sports gaming shops and corners and activation of remote sports gaming;
- for 38 thousand euro as surety in favour of Independent Administration of State Monopolies to guarantee the sport permits obligations for licence 3098, expiring on 30 June 2013;
- for 175 thousand euro in favour of the Autonomous Administration of State Monopolies issued by the Banca Interregionale S.p.A. to guarantee the participation in the procedure for the assigning of the business of public gaming in concession as per Art. 24 paragraph 11 of Law 88 of 7 July 2009;
- for 1,389 thousand euro of sureties in favour of the Cassa di Risparmio di Ravenna in the interest of Hippogroup Roma Capannelle S.p.A.;
- 5,603 thousand euro issued by Starfin in favour of U.N.I.R.E. related to the contract in vigour from 1 July 2005 to 30 June 2011 in the interest of Teleippica S.r.l.

In reference to the new loans issued on 29 March 2011, it should be reported that SNAI S.p.A., as is the practice in transactions of this type, as a guarantee of the same is committed to provide a range of collateral on the main tangible and intangible assets owned by the companies of the Group, deemed relevant.

Finally, please note that the assumed obligations as a guarantee for the loans of 2006 were released.

### **34. Related parties**

The Consob Communication 6064293 of 28 July 2006 requires that, in addition to what is required by International Accounting Standards on "Disclosures about related party transactions" (IAS 24) are provided with the information of the impact that transactions or positions with related parties, as classified by IAS 24, have on the economic, asset and financial situation.

The table below shows these incidences. The incidences which the transactions have on profit and loss as well as cash flow of the company and/or Group need to be analysed considering that the main transactions existing with related parties are all identical to the outstanding equivalent contracts with third parties.

The configuration of the situation of the related parties has undergone significant evolution following the agreement signed on 22 January 2011 and finalised on 29 March 2011 between SNAI Servizi S.p.A. and Global Games S.r.l. regarding the sale of the controlling interest of 50.68% of the equity held by SNAI Servizi S.p.A., with particular reference to the positions of the shareholders of SNAI Servizi S.p.A. and of SNAI Servizi S.p.A.

Until 31 December 2010, as regards the companies of Gruppo SNAI, relations with related parties were represented by contracts which were of a commercial, financial nature, and for administrative services, tax assistance, tax and organization with subsidiaries, and contracts with the parent company SNAI Services S.p.A. for services such as the provision of legal aid and the regulation of financial accounts.

The transfer prices are related to active sales prices in the betting collection chain (that is, at market prices); purchase costs for services governed by commercial contracts use market prices and conditions as a reference for contracts of a financial nature and operating costs for services and performance for the other buying and selling of intergroup services. The contracts, including services supplied by some subsidiaries for other group companies, as well as those supplied by SNAI S.p.A. to other group companies and performance of services between operating companies, are formalised and invoiced with multi-year frequency.

The Group provides services for licensees of acceptance points of horse racing and sports bets, as previously commented. Some licensees and managers of points of sale (horse and sports betting shops) are related to members of the Board of Directors of the parent company. Transactions, in standardised contracts, are governed at market conditions completely identical to those of third party licensees.

The acquisition transaction of the company branches occurring on 16 March 2006 is basically the result of a transaction with related parties since most of the company branches acquired by SNAI S.p.A. were directly or indirectly referable to members of the SNAI S.p.A. Board of Directors, who were owners, directly and/or indirectly, through the companies they hold investments in or which are under their families.

The terms of the contract for acquisition of the business units, as well as those relating to the management contracts and services, which have as counterpart partners of the parent company are completely identical to those of similar contracts with third parties.

With the company branch acquisition SNAI S.p.A. also signed management contracts, to use services connected with operational management of the corner, with gaming acceptance corners which transferred the concessions. The payment was in line with the total volume of bets collected for all the acquired company branches with the same percentage used for concession company branches acquired from third parties.

Following the previously mentioned agreement signed on 22 January 2011 and finalised 29 March 2011 between SNAI Servizi S.p.A. and Global Games S.p.A. and in order to provide a better representation of related party transactions, the presentation of information in reports and tables has been modified, both for the current period and for the periods for comparison, the transactions with the companies related to the Directors of the Group. It should be remembered that up to 31 December 2010, the Group presented the transactions with the member companies of SNAI Servizi S.p.A. and that some companies were related to the Directors of the Group.

In particular, the costs and revenues accrued by the shareholders of SNAI Servizi S.p.A. up to 29 March 2011 are:

- revenues from sales and services for 995 thousand euro (2,814 thousand euro in the first half of 2010);
- Interest income for 86 thousand euro (377 thousand euro in the first half of 2010);
- costs for services and charge backs of 18,004 thousand euro (37,706 thousand euro in the first half of 2010);
- Interest income for 53 thousand euro (263 thousand euro in the first half of 2010);

It should be noted that up to the renewal of the Board of Directors which took place during the Shareholders meeting of 30 April 2011, the related party Directors were 10; from 30 April 2011 these were reduced to 3.

In summary, the following table shows the relationships with related parties of Group SNAI:

thousands of euro	30/06/2011	incidence %	Restated 31/12/2010	incidence %
<b>Accounts Receivable:</b>				
- due from companies related to Directors of the Group	2,396	3,47%	3,072	4,16%
- from Solar S.A.	30	0.04%	-	0.00%
- from SNAI Imel S.p.A.	14	0.02%	14	0.02%
- from Hippogroup Roma Capannelle S.p.A.	2	0.00%	2	0.00%
- from Cogetech	2	0.00%	-	0.00%
	<b>2,444</b>	<b>3,53%</b>	<b>3,088</b>	<b>4,18%</b>
<b>Other Current Assets:</b>				
- from companies related to Directors of the Group	7,003	19,68%	9,234	26.60%
- from Tivu+ S.p.A. in liquidation	478	1.34%	-	0.00%
	<b>7,481</b>	<b>21.02%</b>	<b>9,234</b>	<b>26.60%</b>
<b>Current financial assets:</b>				
- from SNAI Servizi S.p.A.	-	0.00%	8,968	99.92%
- from SNAI Imel S.p.A.	7	0.24%	6	0.07%
	<b>7</b>	<b>0.24%</b>	<b>8,974</b>	<b>99.99%</b>
<b>Total Receivables</b>	<b>9,932</b>	<b>9.23%</b>	<b>21,296</b>	<b>18.11%</b>
<b>Accounts payable:</b>				
- due from companies related to Directors of the Group	727	2.13%	16,536	30.34%
- from Connex S.r.l.	188	0.55%	84	0.15%

- due from SNAI Servizi S.p.A.	-	0.00%	34	0.06%
- from Solar S.A.	30	0.09%	-	0.00%
- from Tivu+ S.p.A. in liquidation	43	0.13%	43	0.08%
	<b>988</b>	<b>2.90%</b>	<b>16,697</b>	<b>30.63%</b>
<b>Other current liabilities</b>				
- due from companies related to Directors of the Group	157	0.25%	224	0.20%
- due to Directors of SNAI S.p.A. for Non-competition agreement	1,701	2.68%	-	0.00%
	<b>1,858</b>	<b>2.93%</b>	<b>224</b>	<b>0.20%</b>
<b>Non-current financial liabilities:</b>				
- due to companies related to Directors of the Group for extension of the branch acquisitions (vendor loan)	-	0.00%	207	0.57%
	-	<b>0.00%</b>	<b>207</b>	<b>0.57%</b>
<b>Current financial liabilities:</b>				
- due to companies related to Directors of the Group for extension of the branch acquisitions (vendor loan)	-	0.00%	3,968	7.85%
	-	<b>0.00%</b>	<b>3,968</b>	<b>7.85%</b>
<b>Current portion of long term loans</b>				
- SOLAR S.A. loan	-	0.00%	43,205	19,00%
	-	<b>0.00%</b>	<b>43,205</b>	<b>19,00%</b>
<b>Total Payables</b>	<b>2,846</b>	<b>2.92%</b>	<b>64,301</b>	<b>13.35%</b>

The financial receivables are recorded net of the specific bad debt provision.

The following tables show the economic values to related parties:

#### 1st half 2011

thousands of euro	1st half 2011	incidence %	Restated 1st half 2010	incidence %
<b>Revenue from sales and services:</b>				
- due from companies related to Directors of the Group	1,187	0.42%	297	0.10%
- from Hippogroup Roma Capannelle S.p.A.	-	0.00%	2	0.00%
- from Cogetech	5	0.00%	-	0.00%
	<b>1,192</b>	<b>0.42%</b>	<b>299</b>	<b>0.10%</b>
<b>Other revenue - Revenue from services, charge backs and rents:</b>				
- from SNAI Servizi S.p.A.	42	5.07%	90	2.99%
- from Tivu+ S.p.A. in liquidation	2	0.24%	2	0.07%
	<b>44</b>	<b>5.31%</b>	<b>92</b>	<b>3.06%</b>
<b>Interest income:</b>				
- due from companies related to Directors of the Group	130	12.20%	362	23.55%
- due from SNAI Servizi S.p.A.	384	36.02%	492	32.01%
- from Tivu+ S.p.A. in liquidation	-	0.00%	75	4,88%
- from Teseo S.r.l. in liquidation	-	0.00%	65	4,23%
	<b>514</b>	<b>48.22%</b>	<b>994</b>	<b>64,67%</b>
<b>Total revenue</b>	<b>1,750</b>	<b>0.61%</b>	<b>1,385</b>	<b>0,47%</b>
<b>Purchase costs for semi-finished and finished products</b>				
- from Connex S.r.l.	-		6	
	-		<b>6</b>	
<b>Costs of Raw Materials and Consumables Used</b>				
- from Connex S.r.l.	1	0.13%	47	4,33%
	<b>1</b>	<b>0.13%</b>	<b>47</b>	<b>4,33%</b>
<b>Costs for services and charge backs:</b>				
- from companies related to Directors of the Group	25,350	12.11%	33,358	14.59%

- from SNAI Servizi S.p.A.	12	0.01%	119	0.05%
- from Connex S.r.l.	410	0.20%	401	0.18%
- from Solar S.A.	80	0.04%	68	0.03%
	<b>25,852</b>	<b>12.36%</b>	<b>33,946</b>	<b>14.85%</b>

#### Interest Expenses and Fees:

Financial charges regarding vendor loan to companies related to Directors of the Group

Financial charges regarding vendor loan to companies related to Directors of the Group	70	0.41%	238	1.60%
Financial charges on Solar S.A. loan	1,575	9.27%	3,165	21.23%
	<b>1,645</b>	<b>9.68%</b>	<b>3,403</b>	<b>22.83%</b>

<b>Total costs</b>	<b>27,498</b>	<b>12.11%</b>	<b>37,402</b>	<b>15.29%</b>
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#### 2nd Quarter 2011

thousands of euro	2nd Quarter 2011	incidence %	Restated 2nd Quarter 2010	incidence %
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#### Revenue from sales and services:

- due from companies related to Directors of the Group	575	0.45%	143	0.09%
- from Hippogroup Roma Capannelle S.p.A.	-	0.00%	2	0.00%
- from Cogetech	5	0.00%	-	0.00%
	<b>580</b>	<b>0.45%</b>	<b>145</b>	<b>0.09%</b>

#### Other revenue - Revenue from services, charge backs and rents:

- from SNAI Servizi S.p.A.	-	0.00%	47	22.07%
- from Tivu+ S.p.A. in liquidation	1	0.23%	1	0.47%
	<b>1</b>	<b>0.23%</b>	<b>48</b>	<b>22.54%</b>

#### Interest income:

- due from companies related to Directors of the Group	48	15.05%	221	25.97%
- due from SNAI Servizi S.p.A.	0	0.00%	251	29.49%
- from Tivu+ S.p.A. in liquidation	(49)	-15.36%	44	5.17%
- from Teso S.r.l. in liquidation	(40)	-12.54%	33	3.88%
	<b>(41)</b>	<b>-12.85%</b>	<b>549</b>	<b>64.51%</b>

<b>Total revenue</b>	<b>540</b>	<b>0.42%</b>	<b>742</b>	<b>0.49%</b>
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#### Costs for services and charge backs:

- due from companies related to Directors of the Group	9,024	9.03%	15,167	12.78%
- from SNAI Servizi S.p.A.	-	0.00%	64	0.05%
- from Connex S.r.l.	207	0.21%	239	0.20%
- from Solar S.A.	-	0.00%	68	0.06%
	<b>9,231</b>	<b>9.24%</b>	<b>15,538</b>	<b>13.09%</b>

#### Interest Expenses and Fees:

Financial charges regarding vendor loan to companies related to Directors of the Group

Financial charges regarding vendor loan to companies related to Directors of the Group	21	0.22%	102	1.41%
Financial charges on Solar S.A. loan	-	0.00%	1,587	21.93%
	<b>21</b>	<b>0.22%</b>	<b>1,689</b>	<b>23.34%</b>

<b>Total costs</b>	<b>9,252</b>	<b>8.46%</b>	<b>17,227</b>	<b>13.68%</b>
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The table below shows the payables towards the related parties of the parent company SNAI S.p.A. as of 30 June 2011, as requested by Consob Protocol 10084105 of 13 October 2010.

values in thousands of euro	30/06/2011
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#### Accounts Receivable:

- from companies related to Directors of the Group SNAI Servizi S.r.l. shareholders	2,395
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- from Società Trenno S.r.l.	165
- from Festa S.r.l.	32
- from SNAI Imel S.p.A.	14
- from Teleippica S.r.l.	10
- from Cogetech S.r.l.	2
<b>Total Accounts receivable</b>	<b>2,618</b>

**Other Current Assets:**

- from companies related to Directors of the Group	7,003
- from Società Trenno S.r.l.	7
- from Festa S.r.l.	518
- from Mac Horse S.r.l.	58
- from Immobiliare Valcarenga S.r.l.	28
- from Solar S.A.	30
- from Tivu+ S.p.A. in liquidation	478
<b>Total other current assets</b>	<b>8,122</b>

**Financial receivables:**

- from Società Trenno S.r.l.	5,626
- from SNAI Olé S.A.	684
- from SNAI Imel S.p.A.	6
- from Faste S.r.l.	260
- from Teleippica S.r.l.	939
- from SNAI France S.a.s.	5

**Total financial receivables** **7,520**

**Total Receivables** **18,260**

**Accounts payable:**

- due to companies related to Directors of the Group	727
- due to Società Trenno S.r.l.	57
- due to Festa S.r.l.	32
- due to Connex S.r.l.	179
- due to Tivu+ S.p.A. in liquidation	43

**Total Accounts payable** **1,038**

**Other current liabilities**

- due to companies related to Directors of the Group	157
- due to Directors of SNAI S.p.A. for Non-competition agreement	1,701
- due to Società Trenno S.r.l.	2,007
- due to Teleippica S.r.l.	2

**Total other current liabilities** **3,867**

**Current financial payables:**

- to Festa S.r.l.	2,393
- to Mac Horse S.r.l.	342
- to Immobiliare Valcarenga S.r.l.	125
- to Solar S.A.	30

**Total current financial payables:** **2,890**

**Total Payables** **7,795**

**1st half 2011**

values in thousands of euro

**Income from services and charge backs:**

- from companies related to Directors of the Group	1,187
- from Società Trenno S.r.l.	1,367
- from Festa S.r.l.	1
- from Cogetech S.r.l.	5

**Total income from services and charge backs** **2,560**

<b>Other revenues</b>	
- from SNAI Servizi S.p.A.	42
- from Società Trenno S.r.l.	1,516
- from Festa S.r.l.	126
- from Mac Horse S.r.l.	16
- from Immobiliare Valcarenga S.r.l.	5
- from Faste S.r.l.	15
- from Teleippica S.r.l.	260
- from Tivu+ S.p.A. in liquidation	2
<b>Total other revenues</b>	<b>1,982</b>

<b>Interest income:</b>	
- from companies related to Directors of the Group	130
- from SNAI Servizi S.p.A.	284
- from Società Trenno S.r.l.	220
- from SNAI Olé S.A.	21
- from Faste S.r.l.	5
- from Teleippica S.r.l.	156
<b>Total interest income</b>	<b>816</b>
<b>Total revenue</b>	<b>5,358</b>

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**purchase costs for semi-finished and finished products**

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**Costs of Raw Materials and Consumables Used**

- from Connex S.r.l.	1
<b>Total costs from raw materials and consumables</b>	<b>1</b>

**Costs for services and charge backs:**

- from companies related to Directors of the Group	25,350
- from SNAI Servizi S.p.A.	11
- from Società Trenno S.r.l.	186
- from Festa S.r.l.	2,858
- from Mac Horse S.r.l.	270
- from Solar S.A.	80
- from Teleippica S.r.l.	1,109
- from Connex S.r.l.	408
<b>Total costs for services and charge backs</b>	<b>30,272</b>

**Costs for Personnel Posted to Other Areas:**

- from Società Trenno S.r.l.	68
<b>Total costs for personnel posted to other areas:</b>	<b>68</b>

**Interest expenses and fees**

Interest expenses from Festa S.r.l.	66
Interest expenses from Mac Horse S.r.l.	11
Interest expenses from Immobiliare Valcarenga S.r.l.	4
Financial Charges from Solar S.A.	1,575
Financial charges regarding vendor loan to companies related to Directors of the Group	70
<b>Total interest payables and fees</b>	<b>1,726</b>
<b>Total costs</b>	<b>32,067</b>

### **35. Financial risk management**

The Group's financial liabilities consist mainly of bank loans, of loans made by third parties (e.g. vendor loans, etc.), and of financial and operating leases. These contracts are of medium/long term, in small part unpaid.

These liabilities have been undertaken as a function of important strategic development operations planned and implemented from 2006 to 2011 in order to acquire new concession company branches and licenses, to consolidate and implement its presence in the market.

Recall that in addition to the increase in the share capital of the SNAI S.p.A., completed in January 2007, through which financial resources were found for 249,961 thousand euro, the company signed in March 2011 a new financing agreement for a total of 490,000 thousand euro, in order to properly structure and with lower financial charges its growth opportunities, the investment required to support the development plan and to allow sufficient autonomy and flexibility of cash. This loan, structured in 6 different lines, are partially utilized for a total of 354,750 thousand euro as of 30 June 2011.

The Parent company as of 30 June 2011 has other unused credit lines for a total of 83,323 thousand euro.

The Group's policy is to reduce to a minimum the resorting to credit with costs to support normal operations, reduce the collection time of accounts receivable, plan times and instalment payments with respect to trade creditors, plan and diversify the mode of payment of investments.

#### **Credit risk**

In order to reduce and monitor credit risk Gruppo SNAI has adopted suitable organisational policies and instruments.

Potential income related transactions are always previously subjected to a reliability analysis using the aid of information from leading specialised companies. The obtained analyses are appropriately supplemented with objective and subjective elements, deemed useful and already available within the Group, generating a reliability assessment.

The debtors of the company (customers, shop and gaming corner managers, etc.) are known and well-recognised by the Group, thanks to the now well established and long-term presence in all segments of the market which it targets, characterized by a limited number of affiliated operators.

A high percentage of income relations are previously covered by sureties or security deposits, issued in favour of the Group based on the characteristics determining the reliability assessment. Established relations are constantly and regularly monitored by a structure specifically dedicated for this function, connected to other interested and involved functions.

Receivables are subject to an analytical assessment on a regular basis.

Concerning the above listed financial instruments, the maximum exposure to credit risk, without considering eventual guarantees held or other instruments for reducing the credit risk is equivalent to the fair value.

The risk concerning other financial assets of the company is limited.

#### **Interest rate risk**

The Parent Company has opened a loan contract in March 2011, broken into different lines, all at variable rates of interest. The Company has assumed the obligation, in reference to the stipulated loan contract, to equip itself with the suitable instruments for the coverage risk by six months from the issuance, that is by September 2011. These hedging contracts, which are currently undergoing recognition and assessment, must have a minimum duration of three years and cover the risk of interest deriving from the lines minimal extent of 66,67%.

The centralized management of the Group's cash flows, through the use of intercompany accounts, allows the optimisation of the treasury management and simultaneously to reduce the risks and charges, maximizing the financial income.

#### **Share capital management**

The management of the Group's capital is such as to ensure a solid credit rating and appropriate levels of the capital indicators to support the industrial activity and investment plans, with respect of the contractual commitments assumed with the financiers.

The Group, within the limits allowed by the contractual conditions of existing loans, can pay dividends to shareholders and issue new shares.

Group has analysed its capital using a debt/capital ratio, or comparing net debt to total capital plus net debt. The group's policy aims at keeping the ratio between 0.3 and 1.0.

<b>thousands of euro</b>	<b>Restated</b>	
	<b>30/06/2011</b>	<b>31/12/2010</b>
Interest-bearing loans	398,943	306,980
Non-interest-bearing loans	759	7,291
Financial liabilities	399,702	314,271
Accounts payable and other payables	101,659	172,875
Current financial assets	(2,947)	(8,975)
Cash and cash equivalents	(47,264)	(11,926)
<b>Net payables</b>	<b>451,150</b>	<b>466,245</b>
Shareholders' equity	247,112	254,637
<b>Total Shareholders' equity</b>	<b>247,112</b>	<b>254,637</b>
<b>Shareholders' equity and net debt</b>	<b>698,262</b>	<b>720,882</b>
<b>Ratio net debt/shareholders' equity and net debt</b>	64,6%	64,7%

### 36. Significant non-recurring events and transactions

In the first half of 2011, except as indicated in the table, there are no entries of non-recurring income or expense, pursuant to Consob Resolution 15519 of 27 July 2006, which defines them as "components of income (positive and/or negative) arising from events or transactions, being identified or non-recurring transactions or events that occur infrequently in the normal course of business":

<b>thousands of euro</b>	<b>Restated 1st</b>	
	<b>1st half 2011</b>	<b>half 2010</b>
<b>Non-recurring revenue and costs</b>		
Revenue from sales and services	-	2,263
Costs for services:		
Consultant fees for Senior and Junior loan repayments	1,243	-
Costs related to the preparation of documentation for the issuance of a bond	-	3,708
Costs related to due diligence	-	985
<b>Total costs for services and non-recurring leases</b>	<b>1,243</b>	<b>4,693</b>

### 37. Positions or transitions deriving from atypical and/or unusual transactions

In the first half of 2011 there have been no atypical and/or unusual transactions.

### 38. Entities of the Group

#### Group control

SNAI S.p.A., the parent company, is subject to legal control of Global Games S.p.A.

## Significant shareholdings in subsidiaries

	Percentage held		
	30/06/2011	31/12/2010	30/06/2010
IMMOBILIARE VALCARENGA S.r.l. unipersonale	100	100	100
FESTA S.r.l. unipersonale	100	100	100
Mac Horse S.r.l. unipersonale	100	100	100
Società Trenno S.r.l. unipersonale	100	100	100
Punto SNAI S.r.l. unipersonale	0	0	100
Agenzia Ippica Monteverde S.r.l. unipersonale	0	0	100
Faste S.r.l. Unipersonale (formerly Autostarter)	100	100	100
SNAI Olè S.A.	100	100	100
SNAI France S.A.	100	100	0
Teleippica S.r.l.	100	19,5	19,5

The companies Punto SNAI S.r.l. and Agenzia Ippica Monteverde S.r.l. were merged, as of 1 December 2010, in SNAI S.p.A., the fusion did not have any effects on the consolidation.

The parent company SNAI S.p.A. acquired the entire shareholding in the company Teleippica S.r.l. from SNAI Servizi S.p.A. on 31 January 2011 with the payment of 11,745 thousand euro supported by assessments of independent experts appointed by the independent directors.

The complete composition of the Group and the consolidation methods adopted are described in attachment 1.

### 39. Net Financial Position

As required by Consob Communication of 28 July 2006 and in accordance with the CESR Recommendations of 10 February 2005 "Recommendations for uniform implementation of the European Commission's Regulation on informative statements", the net financial position of the Group is as follows:

thousands of euro	30/06/11	31/12/10	Restated 31/12/2010
A. Cash	349	279	328
B. Other liquid assets	46,915	11,569	11,598
<i>bank</i>	46,829	11,520	11,549
<i>postal c/a</i>	86	49	49
C. Securities held for sale	1	1	1
<b>D. Liquid assets (A) + (B) + (C)</b>	<b>47,265</b>	<b>11,849</b>	<b>11,927</b>
<b>E. Current financial receivables:</b>	<b>2,946</b>	<b>22,949</b>	<b>8,974</b>
- financial c/a due from SNAI Servizi S.p.A.	0	14,244	8,968
- financial c/a due from subsidiaries	7	6	6
- financial c/a due from Teleippica S.r.l.	0	8,699	0
- Current account earmarked (Escrow Account)	2,939	0	0
F. Current accounts payable due to banks	21,344	22,723	22,723
G. Current part of non-current borrowing	2,366	227,349	227,349
H. Other current financial payables	21,649	27,813	27,820
- For purchase of equity and company branch agency	291	343	343
- for horse racing and sports concessions acquisition	355	6,522	6,522
- Financial instruments	0	0	7
- due to other lenders	21,003	20,948	20,948
<b>I. Current financial borrowing (F) + (G) + (H)</b>	<b>45,359</b>	<b>277,885</b>	<b>277,892</b>
<b>J. Net current financial borrowing (I) - (E) - (D)</b>	<b>(4,852)</b>	<b>243,087</b>	<b>256,991</b>
K. Non-current accounts payable due to banks	328,270	0	0
L. Bonds issued	0	0	0
M. Other noncurrent payables	26,073	36,379	36,379
- due to other lenders	25,960	35,953	35,953
- for horse racing and sports concessions acquisition	113	426	426

<b>N. Non-current financial borrowing (K) +(L) + (M)</b>	<b>354,343</b>	<b>36,379</b>	<b>36,379</b>
<b>O. Net Financial Borrowing (J) + (N)</b>	<b>349,491</b>	<b>279,466</b>	<b>293,370</b>

With respect to 31 December 2010, the restated net debt increased by 56,121 thousand euro, due to the combined cash flows from core operations and delivery of the new financing, as described in note 28 "Financial liabilities."

In particular, the core operations generated a liquidity-absorbing effect due to extinguishing of previous debts.

The most significant items are summarized below:

- Payments for the supply of goods and equipment for the construction of points of sale of the Bersani call for tenders totalling 7,348 thousand euro;
- Discharge of Senior and Junior loans for 228,000 thousand euro;
- Discharge of the debt relative to the Single tax and PREU totalling 52,282 thousand euro;
- Opening the new loans on 29 March 2011, delivered on the same date for 331,750 thousand euro and additional funding for 23,000 thousand euro on 28 April 2011, net of transaction costs accounted for a nominal 25,826 thousand euro;
- Acquisition of share capital of Teleippica S.r.l. held by SNAI Servizi S.p.A., 80.50%, for the value of 11,750 thousand euro, inclusive of acquisition charges, repaid by using the financial c/a maintained with SNAI Servizi S.p.A. and subsequently discharged.
- Discharge of debts for the acquisition concession for a total of 6,480 thousand euro.

As far as the opening of new loans, which is described more fully in note 28.

As required, with communication Consob prot. n. 10084105 of 13 October 2010 the net financial situation of the Parent company, SNAI S.p.A., is reported.

(values in thousands of euro)	<b>Final</b>	<b>Initial</b>
	30/06/2011	01/01/2011
A. Cash	152	174
B. Other liquid assets	45,146	10,362
- banks	45,061	10,314
- postal c/a	85	48
C. Securities held for sale	1	1
<b>D. Liquid assets (A) + (B) + (C)</b>	<b>45,299</b>	<b>10,537</b>
Current financial receivables:		
- financial c/a due from SNAI Servizi S.p.A.	0	14,209
- financial c/a due from subsidiaries	7,520	8,615
- financial c/a due from associates	0	8,699
- Current account earmarked (Escrow Account)	2,939	0
E. Total current financial receivables:	10,459	31,523
F. Current accounts payable due to banks	21,344	22,723
G. Current part of non-current borrowing	2,366	227,349
Other current financial payables:		
- financial c/a due to subsidiaries	2,861	2,472
- for horse racing and sports betting concessions acquisition	355	6,522
- For purchase of equity and Agency company branch	291	343
- due to other lenders	20,950	20,900
H. Total other current financial payables:	24,457	30,237
<b>I. Current financial borrowing (F) + (G) + (H)</b>	<b>48,167</b>	<b>280,309</b>
<b>J. Net current financial borrowing (I) - (E) -(D)</b>	<b>(7,591)</b>	<b>238,249</b>
K. Non-current accounts payable due to banks	328,270	0
L. Bonds issued	0	0
Other non-current payables:		
- due to other lenders	25,910	35,877
- for horse racing and sports betting concessions acquisition	113	426
M. Total other non-current financial payables:	26,023	36,303
<b>N. Non-current financial borrowing (K) +(L) + (M)</b>	<b>354,293</b>	<b>36,303</b>
<b>O. Net Financial Borrowing (J) + (N)</b>	<b>346,702</b>	<b>274,552</b>

### **39.1 Financial Obligations (Negative pledges)**

In paragraph 33 "Financial Obligations", which the reader is referred to, the pledges and security interest granted by the parent company and subsidiaries by the group are analytically described.

The financial obligations made by the Parent company and the Group companies have been undertaken in full compliance with the contractual terms of existing loan contracts.

### **39.2 Covenants**

The existing finance contracts contain, as is usual in this type of financing, a series of obligations for the Company.

SNAI S.p.A., in fact, has pledged to respect the financial parameters agreed in the agreement reached with Unicredit S.p.A., Banca IMI S.p.A., and Deutsche Bank S.p.A. relative to the financing transaction for medium/long-term up to 490 million euro (for more information, the reader is directed to the communication released on 8 March, 2011).

Among the obligations foreseen in the loan agreement, there are the following: respect of the *financial covenants*, to be calculated, according to the specific *financial condition*, starting from 31 December 2011. The company also is required to furnish to the financiers periodic evidence of final financial and economic balances, as well as *key performance indicators*, related to Gruppo SNAI, for what is related to EBITDA, net financial borrowing, working capital, starting from October 2011. For further details, the reader is referred to note 28 "Financial Liabilities" and to the sections describing the new financing contained in the interim directors' report on operations.

## **40. EVENTS OCCURRING AFTER THE END OF THE PERIOD**

### **40.1 Participation in the procedure for assignment in concession of the business of remote gaming.**

By 12 August 2011, the documents were filed by the Parent company, which were required for participation in the "Procedure for the concession period at remote gaming in Art. 24, paragraph 11 letters a) to f) of Law 88 of 7 July 2009 conducted by the Autonomous Administration of State Monopolies by virtue of Presidential Decrees 2011/190/CGV and 2011/8556/giochi/UD adopted pursuant to Article 24, paragraphs 11 to 26 of Law 88 of 7 July 2009 (cd. Community Law).

That documentation, which includes the text of the acts concession agreement signed by the Parent company, is aimed at obtaining an additional license for the operation at a distance of games in art. 24 paragraph 11 letters a) to f) of the Community Law of a duration for nine years from the stipulation of the convention.

AAMS has already been assigned to SNAI S.p.A. license No. 15215 (provisional code) waiting to receive notification of the license countersigned by AAMS and duly recorded.

### **40.2 SNAI France - issuance of a license from ARJEL**

On 27 July 2011, SNAI France SAS, a company 100% owned by SNAI S.p.A. obtained, from Arjel, the Regulatory Authority of Online Games, the license with a duration of five years to operate in the French market for Internet gaming sports betting.

This license will allow SNAI France to offer fixed odds betting, live, and totalizer through its own site.

### **40.3 Liquidation Faste S.r.l.**

On 2 August 2011 the company Faste S.r.l. was placed in voluntary liquidation and was appointed Liquidator in the office of Mr. Armando Antonelli.

The company became operational in September 2010 and is currently owned by Festa S.r.l. which bought the equity from Trenno S.r.l. The company was set up with the name Autostarter S.r.l.

After the sale to Festa and the name change, the company became operational in the attempted sale of telephone products and services and is still in start-up phase.

The shareholders of Faste S.r.l., which resolved to place it in liquidation, have offset the loss of the period as of 30 June 2011 (in addition to the residual loss brought forward) and reconstituted the share capital; the offset of the loss (for 157,747.57 euro) and the reconstitution of the share capital (for 50,000.00 euro) were made through the renunciation of the only member Festa S.r.l. of the credit due from Faste S.r.l. (for 156,755.07 euro) and the cash payment of the residual 992,50.

#### **40.4 Instruments for risk coverage - Hedging**

On 29 July 2011, the Board of Directors of the company has resolved to proceed with the stipulation of a contract covering the interest rate fluctuation related to the financing granted by UniCredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A.

Pursuant to the Loan Agreement, the Company had in fact committed itself (within the terms of the special Hedging Letter signed by the Company in connection with the Loan Agreement - Hedging Agreements) to the conclusion, within 6 months of the signing, of specific agreements to cover rates :

- with reference to Facility A and Facility B according to the Loan Agreement, the closing date;
- with reference to the Capex Facility and the Acquisition Facility according to the Loan Agreement, the first between (i) the end of its period of use (so-called Availability Period) and (ii) the date in which these facilities were utilized or cancelled completely.

Taking advantage of Chatham Financial consulting, SNAI undersigned "Interest rate swaps (IRS)" contracts on the initial interest rates for a total of 300 million euro climbing down to 135 million euro.

#### **40.5 Ruling for Forfeiture of licences of some horse racing gaming points awarded as a result of the Bersani Call for Tenders**

On 4 August 2011, the company received from the Autonomous State Monopolies - AAMS, an order of forfeiture of 1,310 licences awarded upon completion of the Bersani Call for Tenders for the noted permanent lack of activation.

The Company immediately disputed the ruling giving additional and supplementary reasons to the petition already presented to the Lazio Regional Administrative Court (TAR) in 2009 that had suspended the revocation proceedings in April 2009 on a greater number of licences.

On 5 August 2011, the Regional Administrative Court (TAR) of Lazio, through its Managing Director, has quickly responded accepting the petition for suspension and fixing the Council Chamber date for 1 September 2011.

The residual book value of these licenses amounts to 9.6 million euro as of 30 June 2011.

#### **40.6 CONSOB communication of the start of the inquiry due to the sanction ruling no. 20110823/2.**

On 12 August 2011, a CONSOB communication was received concerning the start of the investigation due to the sanction ruling no. 20110823/2 under Articles 193 and 195 of Legislative Decree 58/98 for alleged violations of Article 114 paragraph 1 of Legislative Decree 58/98.

CONSOB's dispute concerns the delay with which the issuer SNAI would have communicated to the public the existence of a disclosure warning by the auditors on the company's continuity during the audit of the Group's condensed interim consolidated financial statements as of 30 June 2010.

In cooperation with the legal counsel, the Company is developing briefs and timely arguments in its own defence.

p. for the Board of Directors  
Mr. Stefano Bortoli  
(Managing Director)

Milan, 29 August 2011

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*The manager assigned with preparation of accounting and corporate documents, Mr. Luciano Garza, declares in accordance with paragraph 5 article 154 bis of the Finance Act that the accounting information contained in this annual report corresponds to document results, books of account and accounting entries.*



ATTACHMENT 1						
Composition of Gruppo SNAI at 30 June 2011						
(thousands of euro)						
Name	Headquarters	Capital social	Percentage held	Note	Business	Consolidation Method/Valuation Criteria
- SNAI S.p.A.	Porcari (LU)	60.749	Parent company		horse racing and sporting bet collection with own concessions – coordination of subsidiary activities and management of computerised distribution of data and services for betting agencies – computerised management of the connection network of paragraph 6a machines – skill games	Line-by-line
<b>Subsidiaries:</b>						
- Società Trenno S.r.l. unipersonale	Milan (MI)	1,932	100.00%	(1)	Organization and business of horses and training centre	Line-by-line
- Immobiliare Valcarenga S.r.l. Unipersonale	Milan (MI)	51	100.00%	(2)	Rent to horse racing agency for the stabling of horses	Line-by-line
- Festa S.r.l. unipersonale	Porcari (LU)	1,000	100.00%	(3)	Management of call center, help desk	Line-by-line
- Mac Horse S.r.l. unipersonale	Porcari (LU)	26	100.00%	(4)	Editorial initiatives including computerised, publicity, and graphics	Line-by-line
- Teseo S.r.l. in liquidazione	Palermo (PA)	1,032	70.00%	(5)	Development of software systems for the management of bets	Shareholders' equity
- Faste S.r.l. Unipersonale (already Autostarter S.	Porcari (LU)	50	100.00%	(6)	Organization and exercise of telephone, computer, and network services for third parties, of call centers, telephone exchange, help desk and similar services	Line-by-line
- SNAI Olè S.A.	Madrid (Spain)	61	100.00%	(7)	Business of sports bets and construction of gaming materials - Inactive	Line-by-line
- SNAI France S.A.S.	Paris (France)	150	100.00%	(8)	Business of remote betting - Inactive	Line-by-line
- SNAI IMEL S.p.A.	Porcari (LU)	120	100.00%	(9)	Issuance and distribution of electronic money and other payment instruments – Inactive	Cost
- Teleippica S.r.l.	Porcari (LU)	2,540	100.00%	(10)	Broadcast of information and events by every means permitted by technology and the current and future law with the exception of newspaper publishing	Line-by-line
<b>Associates</b>						
- Hippogroup Roma Capannelle S.p.A.	Roma (RM)	945	27.78%	(11)	Organization and business of horses and training centre	Shareholders' equity
- Solar S.A.	LUXEMBURG	31	30.00%	(12)	Cash Flow	Shareholders' equity
- Alfea S.p.A.	Pisa (PI)	996	30.70%	(13)	Organization and business of horses and training centre	Shareholders' equity
- Connex S.r.l.	Porcari (LU)	82	25.00%	(14)	Commercialization and assistance services for network, hardware and software	Shareholders' equity
<b>Other Companies:</b>						
- TIVU+ S.p.A. in liquidation	Roma (RM)	520	19.50%	(15)	Multimedia production, retransmission, and broadcast of television signals	Cost
- Lexorfin S.r.l.	Roma (RM)	1,500	2.44%	(16)	Equity financing in the horse segment	Cost

## Notes about the Composition of Gruppo SNAI

- (1) Equity is 100% owned by SNAI S.p.A. as a result of the merger of Ippodromi San Siro S.p.A. (formerly Trenno S.p.A.). The company was formed 27 July 2006 and on 15 September 2006 Ippodromi San Siro S.p.A. conferred the company branch for "horse racing management."
- (2) Equity shareholding 100% owned by SNAI S.p.A.
- (3) It was formed on 30 December 1999 with subscription by SNAI S.p.A.
- (4) It was acquired on 24 February 2004 by third parties.
- (5) Established on 13 November 1996 and acquired by SNAI S.p.A. on 30 December 1999. On 3 August 2001 the company Teseo S.r.l. was put into liquidation.
- (6) Established on 11 March 2009 and 100% owned by Società Trenno S.r.l. On 23 August 2010 the Company Trenno S.r.l. sold its 100% share to the company Festa S.r.l. On 3 September 2010, the extraordinary general meeting of shareholders changed the company name from Autostarter S.r.l. to Faste S.r.l. and its business purpose;
- (7) Established on 19 November 2008. The company is not yet active.
- (8) Established on 18 July 2010. The company is not yet active.
- (9) Established on 18 May 2009, waiting of the necessary authorization from the Bank of Italy and therefore not yet entered into the Business Register. The company is not yet active.
- (10) Acquired by third parties on 5 May 2000. On 2 October 2003, the Extraordinary Assembly changed the name from SOGEST Società Gestione Servizi Termali S.r.l. to TELEIPPICA S.r.l. and changed its business purpose. During the course of 2005 the extraordinary shareholders' meeting resolved to augment the share capital to 2,540,000 euro. On 31 January 2011 SNAI S.p.A. acquired the floating assets of 80,5% of share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. On 31 March 2011 SNAI S.p.A. held 100% of the share capital of Teleippica S.r.l.
- (11) On 16 July 2009, the extraordinary shareholders assembly resolved: to cover the losses as of 30 April 2009 amounting to 1,159,368.00 euro by using the special reserve of 41,204.00 euro and a reduction of the share capital from 1,956,000 to 815,000 euro, restoring the special reserve for excess of 22,836.00 euro. Consequently, it has reduced the nominal value of each share from 0.30 euro to 0,125 euro. On 18 November 2009, the Board of Directors decided to increase its capital by 815,000.00 euro to 2,315,000 euro. SNAI S.p.A. has subscribed to its part, and the unexercised: therefore, the percentage of equity totals to 27.78%. On 12 January 2011, the shareholders' meeting of the company Hippogroup Roma Capannelle S.p.A. resolved, inter alia, the reduction of the share capital to 944,520.00 euro. The percentage of ownership of SNAI S.p.A. has not changed.
- (12) Company governed by Luxembourg law, established on 10 March 2006 by SNAI S.p.A. for 30% and by the Irish company FCCD Limited for 70%.
- (13) Equity already 30.70% held by the San Siro S.p.A Ippodromi (formerly Trenno Company S.p.A.) now merged into SNAI S.p.A.
- (14) On 7 December 2000, the holding in Connex S.r.l. was acquired through the purchase of stock options from the old shareholders and subsequent subscription and payment of a reserved capital increase.
- (15) On 7 July 2004 the Extraordinary Shareholders' Meeting approved the liquidation of the company Tivù + S.p.A.
- (16) Acquired on 19 July 1999, for 2.44% by the Società Trenno S.p.A. and then merged into SNAI S.p.A.

## Attachment 2

### Gruppo SNAI - Consolidated comprehensive income statement restated for first Quarter 2010

	1st half 2010	Accounting situation Teleippica 1st half of 2010	Elimination of intercompany investments and other movements	Restated 1st half 2010
<i>values in thousands of euro</i>				
Revenue from sales and services	287,010	6,569	(894)	292,685
Other revenue and income	3,261	226	(478)	3,009
Change in inventories of finished and semi-finished products	176	0	0	176
Used raw materials and consumables	(1,026)	(60)	0	(1,086)
Costs for services and leased assets	(227,245)	(2,698)	1,370	(228,573)
Personnel Costs	(13,600)	(1,078)	0	(14,678)
Other operating expenses	(14,214)	(373)	2	(14,585)
Capitalized internal construction costs	382	0	0	382
<b>Profit/loss before amortisations, depreciations, financial income/charges, taxes</b>	<b>34,744</b>	<b>2,586</b>	<b>0</b>	<b>37,330</b>
Depreciation and amortization	(26,242)	(1,658)	0	(27,900)
Other provisions	(1,867)	0	0	(1,867)
<b>Profit/loss before financial income/charges, taxes</b>	<b>6,635</b>	<b>928</b>	<b>0</b>	<b>7,563</b>
Income and charges from equity investments	332	0	(248)	84
Financial income	1,574	185	(222)	1,537
Financial Charges	(14,878)	(253)	222	(14,909)
<b>Total financial charges and income</b>	<b>(12,972)</b>	<b>(68)</b>	<b>(248)</b>	<b>(13,288)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>(6,337)</b>	<b>860</b>	<b>(248)</b>	<b>(5,725)</b>
Income taxes	649	(303)	0	346
<b>Profit (loss) for period</b>	<b>(5,688)</b>	<b>557</b>	<b>(248)</b>	<b>(5,379)</b>
Other components of the comprehensive income statement	0	0	0	0
<b>Net comprehensive profit/(loss) for period</b>	<b>(5,688)</b>	<b>557</b>	<b>(248)</b>	<b>(5,379)</b>
<i>Attributable to:</i>				
Profit (loss) of Group for the period	(5,688)			(5,379)
Profit (loss) of minority interests for the period	0			0
Basic share earnings (loss) in euro	(0,05)			(0,05)
Diluted share earnings (loss) in euro	(0,05)			(0,05)

## Attachment 2

### Gruppo SNAI - Consolidated comprehensive income statement restated for 2nd Quarter 2010

	2nd Quarter 2010	Teleippica accounting situation 2nd Quarter 2010	Elimination of intercompany investments and other movements	Restated 2nd Quarter 2010
<i>values in thousands of euro</i>				
Revenue from sales and services	148,632	3,377	(448)	151,561
Other revenue and income	335	119	(241)	213
Change in inventories of finished and semi-finished products	161	0	0	161
Used raw materials and consumables	(426)	(34)	0	(460)
Costs for services and leased assets	(117,880)	(1,483)	688	(118,675)
Personnel Costs	(7,082)	(571)	0	(7,653)
Other operating expenses	(6,930)	(259)	1	(7,188)
Capitalized internal construction costs	192	0	0	192
<b>Profit/loss before amortisations, depreciations, financial income/charges, taxes</b>	<b>17,002</b>	<b>1,149</b>	<b>0</b>	<b>18,151</b>
Depreciation and amortization	(13,352)	(812)	0	(14,164)
Other provisions	(1,839)	0	0	(1,839)
<b>Profit/loss before financial income/charges, taxes</b>	<b>1,811</b>	<b>337</b>	<b>0</b>	<b>2,148</b>
Income and charges from equity investments	332	0	(248)	84
Financial income	875	91	(115)	851
Financial Charges	(7,227)	(125)	115	(7,237)
<b>Total financial charges and income</b>	<b>(6,020)</b>	<b>(34)</b>	<b>(248)</b>	<b>(6,302)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>(4,209)</b>	<b>303</b>	<b>(248)</b>	<b>(4,154)</b>
Income taxes	552	(112)		440
<b>Profit (loss) for the period</b>	<b>(3,657)</b>	<b>191</b>	<b>(248)</b>	<b>(3,714)</b>
Other components of the comprehensive income statement	0	0	0	0
<b>Net comprehensive profit/(loss) for the period</b>	<b>(3,657)</b>	<b>191</b>	<b>(248)</b>	<b>(3,714)</b>
<i>Attributable to:</i>				
Profit (loss) for year of Group	(3,657)			(3,714)
Profit (loss) for year of minority interests	0			0
Basic share earnings (loss) in euro	(0,03)			(0,03)
Diluted share earnings (loss) in euro	(0,03)			(0,03)

## Attachment 2

Gruppo SNAI - Statement of the restated consolidated capital-financial situation as of 31 December 2010

	31/12/2010	Accounting Situation Teleippica 31/12/2010	Elimination of intercompany investments and other movements	Restated 31/12/2010
<i>values in thousands of euro</i>				
<b>ASSETS</b>				
<b>Noncurrent assets</b>				
Company owned property, plant and machinery	132,647	2,914	0	135,561
Assets with finance lease contracts	37,930	0	0	37,930
<b>Total property, plant and equipment</b>	<b>170,577</b>	<b>2,914</b>	<b>0</b>	<b>173,491</b>
Goodwill	231,162	443	0	231,605
Other intangible assets	229,846	114	0	229,960
<b>Total intangible assets</b>	<b>461,008</b>	<b>557</b>	<b>0</b>	<b>461,565</b>
Equity investments measured at shareholders'	1,962	0	0	1,962
Equity investments in other companies	542	0	(496)	46
<b>Total equity investments</b>	<b>2,504</b>	<b>0</b>	<b>(496)</b>	<b>2,008</b>
Prepaid taxes	30,039	58	0	30,097
Other non-financial assets	1,393	0	1	1,394
<b>Total non-current assets</b>	<b>665,521</b>	<b>3,529</b>	<b>(495)</b>	<b>668,555</b>
<b>Current assets</b>				
Inventories	2,860	0	0	2,860
Accounts receivable	66,794	7,140	(18)	73,916
Other assets	33,868	849	0	34,717
Current financial assets	22,950	6,469	(20,444)	8,975
Cash and cash equivalents	11,848	78	0	11,926
<b>Total current assets</b>	<b>138,320</b>	<b>14,536</b>	<b>(20,462)</b>	<b>132,394</b>
<b>TOTAL ASSETS</b>	<b>803,841</b>	<b>18,065</b>	<b>(20,957)</b>	<b>800,949</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Group portion of Shareholders' Equity				
Share capital	60,749	2,540	(2,540)	60,749
Reserves	233,426	2,363	(9,454)	226,335
Profit (loss) for period	(33,825)	1,626	(248)	(32,447)
<b>Total Group Shareholders' Equity</b>	<b>260,350</b>	<b>6,529</b>	<b>(12,242)</b>	<b>254,637</b>
Minority interest	0	0	0	0
<b>Total Shareholders' equity</b>	<b>260,350</b>	<b>6,529</b>	<b>(12,242)</b>	<b>254,637</b>
<b>Noncurrent liabilities</b>				
Termination benefits	5,196	288	0	5,484
Noncurrent financial liabilities	36,379	0	0	36,379
Deferred taxes	42,474	49	0	42,523
Provisions for future risks and charges	11,159	0	0	11,159
Noncurrent various accounts payable and other	5,455	0	0	5,455
<b>Total noncurrent liabilities</b>	<b>100,663</b>	<b>337</b>	<b>0</b>	<b>101,000</b>
<b>Current liabilities</b>				
Accounts payable	53,089	1,431	(18)	54,502
Other Liabilities	111,854	1,064	0	112,918
Current financial liabilities	50,536	8,704	(8,697)	50,543
Current portion of long term loans	227,349	0	0	227,349
<b>Total current financial liabilities</b>	<b>277,885</b>	<b>8,704</b>	<b>(8,697)</b>	<b>277,892</b>
<b>Total current liabilities</b>	<b>442,828</b>	<b>11,199</b>	<b>(8,715)</b>	<b>445,312</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>803,841</b>	<b>18,065</b>	<b>(20,957)</b>	<b>800,949</b>