



**INTERIM FINANCIAL
STATEMENT
AS OF JUNE 30, 2016**

SNAI S.p.A.
**Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro 97,982,245.40 fully
paid in**
Tax Code 00754850154 - VAT no. 01729640464
Lucca REA no. 166476 -Register of Companies in Lucca no. 00754850154

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Attestation of the Condensed Consolidated Interim Financial Statements pursuant to art. 81-ter of Consob regulation no. 11971 of May 14, 1999, as subsequently amended and supplemented

CORPORATE BODIES

Board of Directors

(in office from the Shareholders' Meeting held on June 9, 2016, until the Shareholders' Meeting that will approve the financial statements for period ending December 31, 2018)

*Chairwoman
Managing Director*

Mara Caverni
Fabio Schiavolin

Directors

Gabriele Del Torchio*
Giorgio Drago
Nicola Iorio**
Roberto Ruozzi***
Barbara Poggiali***
Chiara Palmieri**/******
Salvatore Catapano
Raffaella Viscardi/******
Nadia Buttignol
Angelo Giovannone
Mauro Pisapia/******
Paolo Scarlatti

The Director in charge of the preparation of the corporate accounting documents **Chiaffredo Rinaudo**

Board of Statutory Auditors

(in office from the Shareholders' Meeting held on April 29, 2014, until the Shareholders' Meeting that will approve the financial statements for period ending December 31, 2016)

*Chairwoman
Standing Auditors*

MariaTeresa Salerno
Massimo Gallina
Maurizio Maffei

Independent Auditors

(Mandate granted by the Shareholders' Meeting held on June 9, 2016, for a term of 9 years)

PricewaterhouseCoopers S.p.A.

* Resignation effective on June 13, 2016.

** Members of the Control and Risks Committee.

*** Members of the Compensation Committee.

**** Members of the Related Parties Committee.

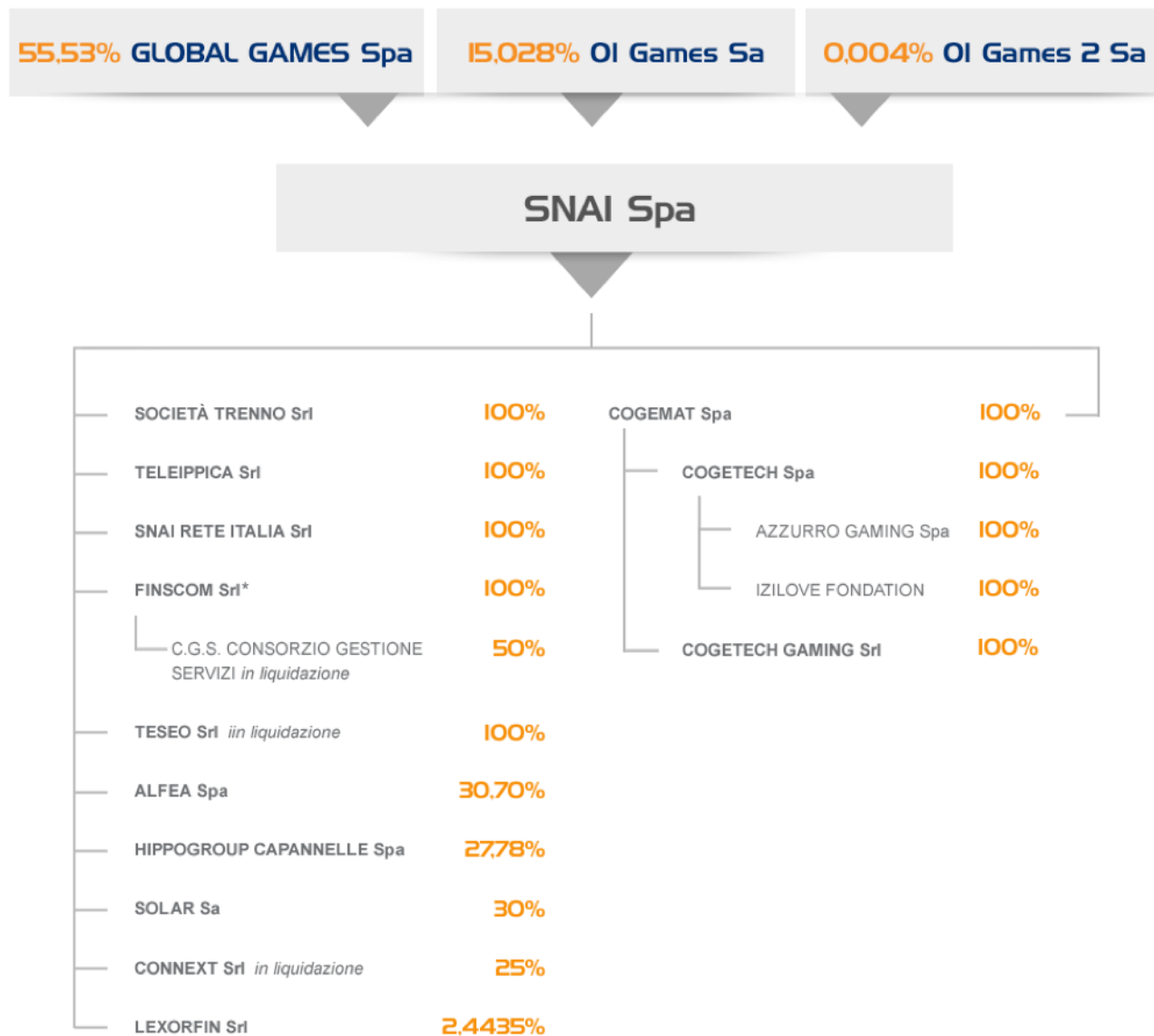
**INTERIM REPORT ON OPERATIONS
AS OF JUNE 30, 2016**

INTERIM REPORT ON OPERATIONS

A. SNAI Group

SNAI S.p.A. is the leading operator on the Italian betting market and one of the main operators on the national gaming market.

The Group is controlled by Global Games S.p.A. - an investee company 37.51% owned by Global Entertainment S.A. (in turn controlled by Investindustrial IV L.P), 37.51% by Global Win S.r.l. (in turn controlled by Venice European Investment Capital S.p.A.) - which owns 55.53% of the share capital of SNAI. The Group is also 15.028% owned by OI Games SA. Global Games S.p.A. (as a simple holding company) does not engage in direction and coordination activities vis-à-vis SNAI S.p.A., since SNAI S.p.A. determines its own strategic objectives autonomously, with full organisational, operational and contractual independence.



*Investee company 52.97% directly owned and 47.03% indirectly owned through the subsidiary SNAI Rete Italia S.r.l.

B. Analysis of the economic and financial performance of the Group

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

B.1 Key indicators of the Group's performance

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

- **KPIs**

<i>(in thousands of Euro)</i>	For the six months ended June 30,		Change	
	2016	2015	€	%
Total revenues	442,417	282,811	159,606	56.4
EBITDA	67,722	39,563	28,159	71.2
EBITDA Adj	70,471	40,422	30,049	74.3
EBIT	38,972	33,482	5,490	16.4
Profit/(loss) before taxes	7,829	5,957	1,872	31.4
Net profit (loss)	(396)	334	(730)	>100
Diluted earnings/(loss) per share	0.00	0.00	0.00	0.0

- **EBITDA, EBITDA Adj and EBIT**

EBITDA, EBITDA Adj and EBIT are considered alternative performance indicators, but are not measures defined on the basis of International Financial Reporting Standards ("IFRS") and may, therefore, fail to take into account the requisites imposed under IFRS in terms of determination, valuation and presentation. We are of the view that EBITDA, EBITDA Adj and EBIT are helpful to explain changes in operating performance and provide useful information on the capacity to manage indebtedness and are commonly used by analysts and investors in the gaming segment as performance indicators. EBITDA, EBITDA Adj and EBIT must not be considered alternative to cash flows as a measure of liquidity. As defined, EBITDA, EBITDA Adj and EBIT may not be comparable with the same indicators used by other companies.

The EBIT refers to "Earnings before interest and taxes" indicated in the Comprehensive Income Statement.

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

EBITDA

<i>(in thousands of Euro)</i>	For the six months ended June 30,		Change	
	2016	2015	€	%
EBIT	38,972	33,482	5,490	16.4
+ Depreciation of Property, plant and equipment	9,530	8,430	1,100	13.0
+ Amortisation of Intangible Assets	17,711	20,041	(2,330)	(11.6)
+ Net losses of value	0	147	(147)	(100.0)
+ Other allocations	150	(89)	239	>100
Profit/(loss) before amortisation, depreciation, write-downs, financial income/expenses, taxes	66,363	62,011	4,352	7.0
+ Non-recurring costs	1,359	(22,448)	23,807	>100
EBITDA	67,722	39,563	28,159	71.2
	2,749	859	1,890	>100
+ Current portion of the provision for doubtful debts				
EBITDA Adj	70,471	40,422	30,049	74.3

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

Profit before taxes

<i>(in thousands of Euro)</i>	<i>For the six months ended June 30,</i>		<i>Change</i>	
	<i>2016</i>	<i>2015</i>	<i>€</i>	<i>%</i>
EBIT	38,972	33,482	5,490	16.4
+ Financial income	408	662	(254)	(38.4)
+ Financial expenses	(31,548)	(28,227)	(3,321)	(11.8)
+ Net gains (losses) on exchange rates	2	(15)	17	>100
Profit before taxes	7,829	5,957	1,872	31.4

B.2 Non-recurring revenues and costs

Summarised below are the non-recurring revenues and costs incurred for operating purposes (the Explanatory Notes state the non-recurring revenues and costs as envisaged under Consob Resolution No. 15519 of July 27, 2006).

Non-recurring revenues and costs

<i>thousands of Euro</i>	<i>For the six months ended June 30, 2016</i>
Non-recurring revenues and costs	
Active trading	(3,112)
Costs related to active trading	1,989
Costs related to non-recurring consultancies	1,171
Leaving incentives	432
Other	879
Impact on EBITDA	1,359

With regard to the foregoing figures, the Board of Directors believes that such figures are non-recurring and extraordinary in nature.

B.3 Economic and Financial Performance of the Group

As a necessary condition to better understand the trend in business performance, it is first of all necessary to recall that:

- in November 2015 SNAI S.p.A. finalised acquisition of the Cogemat Group companies through the transfer, into SNAI share capital, of all Cogemat S.p.A. shares. For this conferral, SNAI S.p.A. issued new shares for a total value of Euro 140 million;
- on April 3, 2015, a new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated, aimed at the acquisition of shareholdings in companies managing sales points, as well as of the centralisation and management of direct sales points. Via this company, 2 corporate transactions were finalised which saw the acquisition of Finscom S.r.l. under joint investment with SNAI S.p.A. in April 2015 and the rental of the business segment of S.I.S. S.r.l. in July 2015 (with subsequent purchase restriction). The two transactions affected a total of 63 betting points;
- The 2016 Stability Law, brought in at the end of 2015, substantially changed taxation on fixed-odds sports betting and the PREU percentages for AWP's and VLT's.

Total SNAI Group revenues rose by 56.4%, from Euro 282.8 million in the six months ended June 30, 2015 to Euro 442.4 million in the six months ended June 30, 2016. Revenues from sales and services amounted to Euro 436.9 million in the six months ended June 30, 2016 as compared to Euro 254.1 million in the six months ended June 30, 2015, with a 71.9% increase, which is mainly due to the combined effect of the merger of the Cogemat Group and the re-opening of the Finscom S.r.l. and former SIS points of sale, the June betting schedule that included games of the European soccer championship, and the positive dynamics recorded by sports betting and on-line games. Net of revenues attributable to the Cogemat Group, revenues of the first six months of 2016 disclosed a decrease compared to the same period of 2015, which was mainly due to the increased PREU.

Other revenue and income dropped from Euro 28.7 million in 2015 to Euro 5.5 million in 2016, showing a Euro 23.2 million decrease. This was mostly due to the transaction for the amicable settlement of the dispute between SNAI S.p.A., on the one side, and Barcrest Group Limited, The Global Draw Limited, and their parent company Scientific Games Corporation on the other side. This took place in February 2015 and came to a total amount of Euro 27.5 million. As a consequence of the increase in revenues reported and thanks to good operating performance, Group EBITDA (which is presented net of non-recurring revenues and costs) rose to Euro 67.7 million in the six months ended June 30, 2016 as compared to Euro 39.6 million in the six months ended June 30, 2015, with 71.2% growth. Net of Cogemat Group EBITDA, the EBITDA in the six months ended June 30, 2016 recorded a Euro 7 million increase over the result in the six months ended June 30, 2015.

Non-recurring costs totalled Euro 1.4 million in the six months ended June 30, 2016, while non-recurring net revenues came to Euro 22.4 in the same period of the previous year, mostly caused by the above-mentioned Barcrest transaction. The Group's result before taxes in the six months ended June 30, 2016 was Euro 7.8 million as compared to Euro 6 million for the first six months of the previous year. This increase stemmed from the consolidation of the Cogemat Group

and the good performance of ordinary activity, partially offset by the greater financial expenses tied to the new Euro 110 million bond issued in November 2015, in addition to the extraordinary income recorded in February 2015.

The net loss pertaining to the SNAI Group in the six months ended June 30, 2016 was equal to Euro 0.4 million, as compared to a net profit of Euro 0.3 million in the six months ended June 30, 2015.

The net financial indebtedness of the SNAI Group as of June 30, 2016, was equal to Euro 440.1 million, as compared to Euro 467.6 million as of December 31, 2015. This decrease is for the most part due to the increase in cash and cash equivalents caused by the combined effect of the cash flow of ordinary activity and the investment activities, and the retrocession of the guarantee deposit of the year 2015 by the Agenzia delle Dogane e dei Monopoli.

B.4 Group Financial Position and Income Statement

SNAI Group – Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2016 and 2015

<i>(in thousands of Euro)</i>	<i>For the six months ended June 30,</i>	
	2016	2015
Revenues from sales and services	436,924	254,135
Other revenue and income	5,493	28,676
Change in inventory of finished and semi-finished products	0	(16)
Raw materials and consumables	(416)	(301)
Costs for services and use of third party assets	(318,738)	(181,666)
Costs of personnel	(30,466)	(19,756)
Other operating costs	(26,884)	(19,511)
Capitalised internal construction costs	450	450
Earnings before interest, tax, depreciation and amortisation	66,363	62,011
Amortisation, depreciation and write-downs	(27,241)	(28,618)
Other provisions	(150)	89
Earnings before interest and taxes	38,972	33,482
Gains and expenses from shareholdings	(5)	55
Financial income	417	666
Financial expenses	(31,555)	(28,246)
Total financial income and expenses	(31,143)	(27,525)
PROFIT/(LOSS) BEFORE TAXES	7,829	5,957
Income tax	(8,225)	(5,623)
Profit/(Loss) for the period	(396)	334
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	0	0
Net (loss)/profit from derivatives as cash flow hedges	0	1,062
Profit/(Loss) from available-for-sale financial assets	17	(110)
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes	17	952
Total profit/(loss) in comprehensive income statement, after taxes	17	952
Comprehensive profit (loss) for the period	(379)	1,286
<i>Attributable to:</i>		
Profit (loss) for the period pertaining to the Group	(396)	334
Profit (loss) for the period pertaining to Third parties	0	0
Total profit (loss) for the period pertaining to the Group	(379)	1,286
Total profit (loss) for the period pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	0.00	0.00
Diluted earnings (loss) per share in Euro	0.00	0.00

SNAI Group: Condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2016

<i>(in thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015 restated (*)
ASSETS		
Non-current assets		
Property, plant and equipment owned	138,538	144,207
Assets held under financial lease	2,839	2,936
Total property, plant and equipment	141,377	147,143
Goodwill	306,521	306,521
Other intangible assets	157,314	166,057
Total intangible assets	463,835	472,578
Investments measured using the equity method	2,492	2,490
Investments in other companies	46	50
Total investments	2,538	2,540
Deferred tax assets	23,342	29,344
Other non-financial assets	4,102	3,304
Financial Assets	1,778	1,773
Total non-current assets	636,972	656,682
Current assets		
Inventories	548	641
Trade receivables	139,480	136,169
Other assets	33,024	55,255
Current financial assets	18,320	21,432
Cash and cash equivalents	138,785	107,588
Total current assets	330,157	321,085
TOTAL ASSETS	967,129	977,767
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to equity holders of the Parent Company		
Share capital	97,982	97,982
Reserves	37,660	91,874
Loss for the period	(396)	(54,231)
Total shareholders' equity attributable to equity holders of the Parent Company	135,246	135,625
Shareholders' equity attributable to non-controlling interests		
Total shareholders' equity	135,246	135,625
Non-current liabilities		
Employee termination indemnities	8,676	8,641
Non-current financial liabilities	575,078	573,101
Provisions for risks and charges	20,848	27,099
Other non-current liabilities	5,613	6,264
Total non-current liabilities	610,215	615,105
Current liabilities		
Trade payables	41,164	42,365
Other liabilities	176,742	181,108
Current financial liabilities	3,762	3,564
Current portion of long-term loans	0	0
Total current financial liabilities	3,762	3,564
Total current liabilities	221,668	227,037
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	967,129	977,767

(*) Amended for the audit of Cogemat's PPA – Purchase Price Allocation

SNAI Group – Condensed Consolidated Cash Flow Statement for the six months ended June 30, 2016 and 2015

<i>(in thousands of Euro)</i>	For the six months ended June 30,	
	2016	2015
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the period attributable to equity holders of the Parent Company	(396)	334
Profit (loss) for the period attributable to equity non-controlling interests	0	0
Amortisation and depreciation		
Net change in deferred tax assets and liabilities	27,241	28,618
Change in provision for risks and charges	6,002	3,842
(Gains)/loss on disposal of non-current assets	(6,254)	(240)
Share of profit/(losses) of associates	142	9
Net change in non-current assets and liabilities	5	(55)
	(1,449)	343
Net change in current trade assets and liabilities and other changes	13,444	7,389
Net change in employee termination indemnities	35	640
CASH FLOW FROM OPERATING ACTIVITIES (A)	38,770	40,880
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(3,964)	(6,603)
Investments in intangible assets	(9,142)	(8,578)
Acquisition of shareholdings in subsidiaries, net of acquired cash and cash equivalents	0	(84)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	234	84
CASH FLOW USED IN INVESTING ACTIVITIES (B)	(12,872)	(15,181)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Change in financial receivables and other financial assets	3,124	(695)
Change in financial liabilities	2,175	2,338
Repayment of financing	0	(20,000)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	5,299	(18,357)
CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE		
D. (D)		
E. TOTAL CASH FLOW (A+B+C+D)	31,197	7,342
INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)	107,588	68,629
NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY		
FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	138,785	75,971
RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):		
CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
Cash and cash equivalents	107,588	68,629
Bank overdrafts		
Discontinued operations		
	107,588	68,629
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
Cash and cash equivalents	138,785	75,971
Bank overdrafts		
Discontinued operations		
	138,785	75,971

SNAI Group - Net financial indebtedness as of June 30, 2015 and December 31, 2015

thousands of Euro	As of June 30, 2016	As of December 31, 2015
A. Cash on hand	1,384	1,338
B. Other cash and cash equivalents	137,401	106,250
<i>bank accounts</i>	136,869	105,478
<i>postal accounts</i>	532	772
C. Securities held for trading	1	1,484
D. Liquidity (A) + (B) + (C)	138,786	109,072
E. Current financial receivables	0	0
F. Current bank debts	330	71
G. Current portion of non-current indebtedness	0	0
H. Other current financial payables	3,432	3,493
- for interest on bond loans	2,166	2,166
- for acquisition of sports and horseracing concessions	32	32
- payables to other lenders	1,234	1,295
I. Current financial indebtedness (F) + (G) + (H)	3,762	3,564
J. Net current financial indebtedness (I) - (E) - (D)	(135,024)	(105,508)
K. Non-current bank debts	0	0
L. Bonds issued	575,042	573,030
M. Other non-current payables	36	71
- payables to other lenders	36	71
N. Non-current financial indebtedness (K) + (L) + (M)	575,078	573,101
O. Net financial indebtedness (J) + (N)	440,054	467,593

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 18,224 thousand, classified under item "current financial assets" on the balance sheet, the special current account of Euro 95 thousand and the other non-current financial assets, equal to Euro 1,778 thousand.

With respect to the net financial indebtedness as of December 31, 2015, the net financial debt decreased by Euro 27,539 thousand. This decrease is for the most part due to the increase in cash and cash equivalents caused by the combined effect of the cash flow of ordinary activity and the investment activities, and the retrocession of the guarantee deposit of the year 2015 by the Agenzia delle Dogane e dei Monopoli amounting to Euro 37,052 thousand.

B.5 Covenants

As with other similar loans, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 28 of the Notes to the condensed consolidated financial statements at and for the six months ended June 30, 2016, envisage a number of obligations for the SNAI Group.

The above-mentioned agreements provide, in accordance with common practice in similar transactions, that the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the restrictions on the distribution of dividends until expiration of other bond loans, as well as restrictions on the early repayment of bonds, in taking on financial indebtedness and in making specific investments and disposing of corporate assets and properties. Events of default are also specified, which may make it necessary for the lenders to demand early repayment.

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A, Deutsche Bank S.p.A. and JP Morgan Chase Bank, N.A., Milan Branch, relating to a Senior Revolving loan for a total amount of Euro 55 million (for more information see Note 28 of the Notes to the condensed consolidated financial statements at and for the six months ended June 30, 2016).

In particular, we refer to the requirement to maintain a given minimum level of "Consolidated Pro-Forma EBITDA". "Consolidated Pro-Forma EBITDA" is defined in the loan agreement and indicates the consolidated earnings before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items.

The SNAI Group is also obliged to provide its lenders periodic information on its cash flows and income, and key performance indicators, including EBITDA and net financial indebtedness.

It is noted that, as of June 30, 2016, the Company was compliant with commitments and covenants.

C. SNAI's Market and performance

C.1 SNAI/Cogetech's performance in the operating context

The Company's activities in the Gaming and Betting segment have been carried out and regulated by licenses issued by the Regulatory Authority AAMS – Amministrazione Autonoma dei Monopoli di Stato (in application of Legislative Decree no. 95 of July 6, 2012. On December 1, 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli, ADM. Hereinafter AAMS or ADM) through European Tender Procedures completed from time to time.

Over the years, the gaming market has undergone a considerable evolution in terms of products offered, gaming methods, gaming channels, numerousness of the operators and reference legislative framework.

The SNAI group, from time immemorial leader in the Betting segment and one of the main operators in the gaming market, was able to further strengthen its leadership position as from November 2015 by means of the merger with the Cogemat Group. More specifically, after the merger the new Group became the second operator in terms of wagers in the gaming machines segment.

Furthermore, by means of the Paymat trademark the SNAI/Cogetech group (hereinafter also "Group") has become an important player within the sphere of the supply of recharge and payment services. In the six months ended June 30, 2016, wagers came to Euro 60 million (+19% compared to 2015, thanks to the extension of the services supplied and the distribution network).

The market performances and the balances of the new Group are presented below. For greater clarity in terms of statement and comparison, the 2016 figures of the new Group are compared against the 2015 pro-forma figures stated, considering a contribution of the Cogemat group for the period of comparison.

The sports betting acceptance network of the SNAI/Cogetech Group is characterised by widespread diffusion throughout Italy and is comprised of over 2,249 gaming points, of which 1,598 with a direct gaming concession (of which 1,414 with the SNAI Brand and 184 Iziplay) and the remaining ones with the supply of specialised services to the Company's Concession Holder clients (of these 560 SNAI and 91 Cogetech).

The wagers during the six months ended June 30, 2016 for the sports bets segment at the national level reached Euro 3,476 million, up by 28.1% compared to the same period in 2015. This growth, driven above all else by the on-line channel, was largely due to the entry into the Italian market of new and important international electronic operators, the Euro 2016 event (which began on June 10, with the rounds stage and ended on July 10 with the final match in Paris), the spread of game types having a higher yield for the players (please refer to the following paragraph) and, to a lesser extent, the regularisation of several land operators. The so-called Live bets (or rather those made while the event is underway) have further increased their share of appreciation care of the consumer public (they are worth around 46.1% of the total). The success of this type of gaming drove the development of the offer of events on the complementary Schedule (Palinsesto Complementare), an instrument through which concession holders are able to offer events not directly managed by the Customs and Monopoly Agency, thus meeting the players' expectations. An additional market trend element is represented by the increasingly greater presence of instruments for mobile gaming.

The horse racing bet market slightly decreased compared to the six months ended June 30, 2015, with wagers amounting to Euro 330 million (-1.8%). The Agency Bets (or rather wagers solely in Shops) with 244 million wagers, lost 3.5% compared to 2015 while National Horse Racing saw wagers for 86 million, up 3.5% on 2015. Fixed rate National Horse Racing Betting has grown in importance. Despite it is still a niche segment within the sphere of Agency Bets as the figure collected comes to 44 million, it by now represents 18.14% of the total and the wagers rose 37% with respect to the six months ended June 30, 2015.

Betting on Virtual Events in the six months ended June 30, 2016 reported wagers totalling Euro 551 million, slightly up compared to 2015 (+1.2%).

The Gaming Machines segment in the six months ended June 30, 2016 is estimated to total Euro 24,800 million, up 5.3% with respect to the previous year. In terms of product, both VLTs (+5.4%) and AWP's (+5.2%) grew.

In the third party online gaming services (GAD) segment, the market reported important growth in Casino games (Roulette and online Slots) and a more limited growth for tournament style card games thanks to tournaments with variable jackpots. Conversely, cash style card games (especially Poker) reported decreased wagers, no longer meeting the favour of players. Overall, this segment is worth Euro 7,810 million, +20.5% with respect to 2015. Growth in remote gaming is partly due to the surfacing of gaming previously not totalled through the concession holders.

Performance of the SNAI/Cogetech Group in 2016 also benefited from the re-opening of the Finscom group points of sale (8 shops) and those of SIS S.r.l. (54 shops) for the entire period. They had been closed for long periods of time in 2015.

Other elements worthy of note in 2016 were: (i) the increase in the number of events offered exploiting the opportunities of the so-called Complementary Schedule (Palinsesto complementare); (ii) the increase in the number of Live events listed (49 thousand compared with 24 thousand in 2015); (iii) the launch of new and more efficient communication and acquisition campaigns in particular for on-line customers, but also brand campaigns during the European Soccer

Championships; (v) the launch of a new soccer version for the virtual games, bets on e-sports and fantasy games (Che bomber!).

C.2 SNAI/Cogetech: market shares

Figures in millions of Euro Gaming or Betting	2016						2015 (Pro forma)					
	Snai	Cogetech	Group	QMS	QM C	QM TOT	Snai	Cogetech	Group	QMS	QM C	QM TOT
Section 6A (AWPs)	826.8	1,190.0	2,016.8	6.2%	8.9%	15.1%	819.2	1,169.9	1,989.0	6.5%	9.2%	15.7%
Section 6B (VLTs)	707.3	1,076.0	1,783.4	6.2%	9.4%	15.6%	655.9	1,004.1	1,660.0	6.1%	9.3%	15.3%
Section 7	-	-	-	0.0%	0.0%	0.0%	-	-	-	0.0%	0.0%	0.0%
Gaming machines	1,534.1	2,266.0	3,800.1	6.2%	9.1%	15.3%	1,475.0	2,174.0	3,649.0	6.3%	9.2%	15.5%
Physical sports betting	471.5	45.4	516.8	30.2%	2.9%	33.1%	401.2	47.7	448.9	28.9%	3.4%	32.4%
On-line sports betting	129.3	4.2	133.5	6.7%	0.2%	7.0%	82.7	4.4	87.1	6.2%	0.3%	6.6%
Pool betting	1.6	-	1.6	10.3%	0.0%	10.3%	1.8	-	1.8	9.7%	0.0%	9.7%
Horse and National Horse Race Betting	150.9	13.9	164.7	45.7%	4.2%	49.9%	150.2	18.3	168.5	44.7%	5.5%	50.2%
Betting on Virtual events	200.2	35.4	235.6	36.3%	6.4%	42.7%	189.3	32.7	222.0	34.8%	6.0%	40.7%
Betting	953.4	98.9	1,052.3	21.8%	2.3%	24.1%	825.2	103.1	928.3	22.8%	2.9%	25.7%
Remote skill games (Skill Games, Casino Games and Bingo)	425.6	17.9	443.5	5.4%	0.2%	5.7%	348.5	23.4	371.9	5.4%	0.4%	5.7%
Total Snai Cogetech Group	2,913.0	2,382.9	5,295.9	7.9%	6.4%	14.3%	2,648.7	2,300.5	4,949.2	7.9%	6.8%	14.7%

Source: Internal processing / QM calculated on ADM data, media news items and management estimates, inclusive of providing networks.

Overall, the Group obtained a share of 14.3% of the reference market, down slightly with respect to 2015.

C.2.1 Gaming Machines

The SNAI/Cogetech Group is the second most important market operator with a market share of 15.3%, slightly down with respect to the six months ended June 30, 2015.

At the end of the period, in the AWP segment the SNAI/Cogetech Group had 63,259 authorisations to operate (of which 27,289 SNAI S.p.A. and 35,970 Cogetech S.p.A.) in around 15,690 concerns throughout the country (of which 7,001 SNAI S.p.A. and 8,689 Cogetech S.p.A.), and owns 10,278 licenses to operate through VLTs (of which 5,052 SNAI S.p.A. and 5,226 Cogetech S.p.A.) of these, at the end of the period under review, 9,949 devices are active (of which 4,901 SNAI S.p.A. and 5,048 Cogetech S.p.A.) in 1,273 premises (of which 757 SNAI S.p.A. and 516 Cogetech S.p.A.). The remaining VLTs are currently in the roll-out phase in more successful premises.

Volumes of wagers in the Gaming Machines segment, improved compared to those in the previous year, from Euro 3,649 million to Euro 3,800 million, with 4.1% growth. The result of the VLTs was excellent (+7.4% with Euro 1,783 million compared with Euro 1,660 million in 2015), growth in AWP wagers was more moderate (+1.4% with Euro 2,017 million in 2016 compared with Euro 1,989 million in the previous year) due to the change of cards required by the Stability Law and the resulting reduced levels of repayment to the players.

With regard to VLTs, despite the new stricter local regulations on distances and timetables, which significantly limited the opening of new arcades and the investment willingness of operators, these results have been achieved by means of important action on the supply and the on-going optimisation of the distribution network to lead to a 5.9% increase in average machine wagers per day.

In the AWP segment, action continued for the optimisation of the distribution and supply via new titles. This activity contributed to the 8.5% growth in average machine wagers per day. Furthermore, as mentioned previously, the Group worked on changing the game cards required by the provisions of the Finance Act during the period. The card replacement process had already involved over 75% of installed machines as of June 30.

C.2.2 Collection of wagers at SNAI betting acceptance points

In 2016 the SNAI/Cogetech Group is again the leader in the betting segment (horse race, sports and simulated events betting), with a total market share of 24.1%. The decrease in market share as compared with 2015 is due to the greater weight of the on-line channel where the Group has a smaller market share than that of the physical channel.

With regard to sports betting, the SNAI/Cogetech Group is the market leader for the physical channel with a market share of 33.1% and one of the leading operators on the on-line channel with a market share of about 7%; the SNAI/Cogetech Group is confirmed as the leading operator in the segment of horse-based gaming with an overall share of 49.9% and also maintains its position as leader on the market of wagers on simulated events with a share of 42.7%

C.2.2.1 Betting on events other than horse races ("Sports-based Gaming")

Betting on events other than horse races is comprised of soccer games, tennis and basketball matches and other Olympic sports, events related to motor racing (Formula 1, Motomondiale, Superbike), and other events (Oscars,

Sanremo Festival, television reality shows, etc.), as well as events proposed directly by concession holders (complementary betting schedule).

During 2016, the market increased 28.1% thanks to the development of new products (Live and Complementary), the entrance of new foreign operators on the online market and retail, whose activities were not previously included in the official statistics.

On the physical channel, total wagers of the SNAI/Cogetech Group in the six months ended June 30, 2016 reported a 15.1% growth, passing from Euro 449 million in 2015 to Euro 517 million in 2016; with regard to the on-line channel, wagers collected rose to Euro 134 million compared with Euro 87 million in 2015.

C.2.2.2 Horse race betting

Compared with previous years, the horse betting market suffered a more moderate drop (-1.8% compared with 2015), due to the well-known problems, when compared with 2015; bets made on horse races at physical and virtual points bearing the SNAI and Iziplay brand (betting agencies, shops and corners and on-line) in 2016 amounted to Euro 165 million, down 2.3% compared with 2015.

C.2.2.3 Bets on simulated events ("virtual bets")

Bets on simulated events are games of chance with a fixed payout in which the bettor selects from among the most probable events and is rewarded with a pre-set amount if the prognostic was correct. Both the SNAI platform and the Cogetech platform - the supplier is the same - propose several disciplines of simulated events: Soccer games, car racing, cycling, speedway, dog racing, harness racing and horse racing, tennis matches. All the environments are personalised and the harness and horse racing in particular for the SNAI platform are set in the corporate racetracks of Milan and Montecatini as well. The bets that are most popular with the public are offered and the amounts are calculated on the probability that an event will occur.

In 2016, the market underwent moderate growth: +1.2% compared to 2015; the SNAI/Cogetech Group collected Euro 236 million, up 6.1% when compared with 2015.

C.2.3 The digital area

In 2016, the Digital segment (Bingo, cash and tournament style card games, Casino games and online Slots) reported wagers of Euro 444 million compared to Euro 372 million in 2015 (+19.2%). The market share in this segment amounts to 5.7%.

D. Significant Events

D.1 Payments of the contribution as per the 2015 Stability Law

Over the six months ended June 30, 2016, further amounts that had been collected from the operators in the segment after the end of 2015, were paid as contribution to the 2015 Stability Law, for a total amount of Euro 1,761 thousand.

D.2 Repayment of the ADM guarantee deposit

In March, the concession holders Snai S.p.A. and Cogetech S.p.A. received a notice from ADM on the achievement percentage of service levels used to calculate the amount of Guarantee Deposit to be repaid in 2015. The SNAI Group cashed Euro 37,052 thousand of the Guarantee Deposit in June.

D.3 Ordinary inspection by UIF (Financial Intelligence Unit)

On March 21, 2016, the Bank of Italy - UIF (Financial Intelligence Unit) started an inspection assessment pursuant to articles 47 and 53, par. 4, of the Legislative Decree 231/07.

The inspection mostly focussed on activities referring to the flow of reports of suspicious transactions. More precisely, the flow of reports of suspicious transactions refers to the years 2014 - 2015 - 2016 (the latter with reference to the first three months of the year).

With reference to the transactions inspected, in compliance with relevant legislation, those higher than Euro 1,000 are recorded in the Single Computer Archive of the Company and are backed by the relevant documentation (identifying data of the Customer, transaction date, transaction value and payment means used).

The transactions that were inspected pursuant to article 24 of Legislative Decree 231/07 and recorded in the Single Computer Archive pursuant to article 37 of Legislative Decree 231/07 were analysed.

The Company is waiting to receive assessment notices with their results, so as of today it is unable to evaluate specific and precise risk profiles.

However, no penalties are believed to arise from the inspections carried out.

D.4 Lease of the SIS S.r.l. business unit in liquidation and under the composition with creditors procedure

On July 18, 2016, with effect of transfer starting from June 30, 2016, the business unit transfer deed concerning the SIS business unit was concluded. It is based on 55 shops that accept betting scattered throughout Italy, which were previously run by SNAI Rete Italia S.r.l.

The transfer price was determined according to the contract, deducting the rentals receivable and paid by SNAI Rete Italia S.r.l. up until June 30, 2016 from the contractual price. By applying this criterion, the price was set at approximately Euro 7.3 million.

The actual balance that SNAI Rete Italia S.r.l. paid to SIS considered the deduction of all adjustments, corrections and transaction values that the parties had agreed to, and came to about Euro 5.3 million.

For the indemnity commitments mentioned above, SNAI Rete Italia S.r.l. at the same time set up about Euro 760 thousand in escrow as security for the potential liabilities that might arise before March 31, 2017, and paid SIS the amount of about Euro 340 thousand by way of repayment of the potential liabilities that have already emerged.

D.5 Appointment of new CFO

Since January 2016, SNAI S.p.A. appointed Mr. Chiaffredo Stefano Rinaudo as Chief of the Group Administration, Finance and Control Management.

D.6 ADM Monitoring Procedure on the concession indices of SNAP S.p.A.

On April 19, 2016, ADM sent a notice to SNAI S.p.A. on the monitoring of concession ratios related to the unfulfillment of the indebtedness ratio and other ratios envisaged in the concession agreements, which has already been described in the section related to the company's ongoing evaluation. The indebtedness ratio was reinstated under the threshold value after the completion of the Cogemat transaction on November 19, 2015. Based on this notice, the Company believes that there is no risk that concessions will be denied due to the unfulfillment of covenants on the equity soundness.

D.7 Approval of the merger project

On July 13, 2015, after the proposal made by OI Games S.A. and OI Games 2 S.A. ("Majority Shareholders") - accepted on May 5, 2015 by SNAI S.p.A. - the favourable opinion of SNAI S.p.A.'s related party committee and the positive outcome of the due diligence, the investment agreement was signed between SNAI S.p.A., the Majority Shareholders and International Entertainment S.A. (50% shareholder of OI Games 2 S.A., equally with OI Games S.A.) for the merger of the assets of the Cogemat/Cogetech Group with the assets of the SNAI Group through a transfer into SNAI S.p.A.'s share capital. On the basis of the investment agreement, the equity investments of the Shareholders in Cogemat S.p.A. representing the entire share capital of Cogemat S.p.A. were transferred into SNAI S.p.A.'s share capital. With the transfer of Cogemat S.p.A.'s entire share capital, the former shareholders of Cogemat S.p.A. hold 71,602,410 newly issued SNAI S.p.A. shares (38% of the share capital after the share capital increase, instrumental to the transfer). On September 28, 2015, the extraordinary Shareholders' Meeting of SNAI S.p.A. resolved on a divisible increase with consideration of SNAI's share capital, excluding the option right pursuant to Art. 2441, par. four, first sentence, of the Italian Civil Code, for a maximum nominal amount of Euro 37,233,253.20, through the issue of 71,602,410 maximum new ordinary shares of the Company. The latter are to be released by the current shareholders of Cogemat S.p.A. through the payment by kind of 100% of the ordinary shares held by them in Cogemat S.p.A. share capital. On September 30, 2015, the above-mentioned transfer deed was signed, which became effective on October 1, 2015, provided that the related conditions precedent are fulfilled. The acquisition was concluded on November 19, 2015.

In the board meetings of April 21 and April 26, 2016, the Board of Directors of SNAI S.p.A. and of the companies that are entirely, directly or indirectly investees (Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A.), approved the common project of merger into SNAI S.p.A.

The above resolution is the natural evolution of the streamlining plan, implemented after the transaction in effect on November 19, 2015, aimed at simplifying the structure and better evaluating the current operating, administration and corporate synergies. Following the merger, in fact, all activities that were currently carried out by merged companies in the segment of wagers of gaming machines and bets, will be concentrated within SNAI S.p.A. The latter will therefore take the place of the aforesaid companies in their assets and liabilities, without interruption.

On June 9, 2016 the Board of Directors of SNAI S.p.A. and of the companies that are entirely, directly or indirectly investees (Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A.), resolved the merger.

D.8 ADM notice concerning the 2015 Stability Law

On April 28, ADM sent a notice asking the Concession Holders to update the reports that had been previously submitted with regard to operators within the segment who did not pay the portions of premiums and remunerations which totalled Euro 500 million (according to the provisions of the 2015 Stability Law) and to take up action to recover the amounts due plus interest. The legal advice given to the Company, also after it received the above-mentioned notice, was that the Concession Holders have no joint liability to pay the amounts in question. In any case, in agreeing to ADM's request, the SNAI Group Companies sent a warning to the operators in the segment who still owe a portion of premiums and remunerations through the law firm LAWOAKS.

D.9 Appointment of the Director in charge of the preparation of the corporate accounting documents

On May 13, the Board of Directors appointed Chiaffredo Stefano Rinaudo Director in charge of the preparation of the corporate accounting documents of the SNAI Group.

D.10 Events relating to the Management Body/Shareholders' Meeting held on June 9, 2016

Resignation of the chairman Gabriele Del Torchio

On June 6, 2016, Gabriele Del Torchio resigned from his office of executive Chairman and Director of SNAI S.p.A. effective June 13, 2016. He thus waived (i) confirmation as SNAI Chairman for the three-year period 2016-2018 and his fixed and variable remuneration (including any stock option plans already receivable); (ii) any claim, for any reason, contractual or not, directly or indirectly linked to the office he held at SNAI S.p.A. for the entire term of office and relevant termination (except for the compensation already accrued for 2016, which shall be duly paid). Due to the consensual termination of the relationship, and considering the waivers listed above, SNAI S.p.A. paid Mr. Del Torchio

the total final gross amount of Euro 400 thousand as final settlement of any amount due with respect to his offices held in the SNAI Group. By signing said agreement, there will be no more contractual obligations, including no-competition agreements.

Shareholders' Meeting held on June 9, 2016

On June 6, 2016, the SNAI S.p.A. Shareholders' Meeting:

- approved the financial statements ending December 31, 2015, as well as coverage of the losses;
- after setting the number of members of the Board of Directors at 14 for the three-year period 2016-2018, appointed the Directors Gabriele dl Torchio (who resigned effective June 13, 2016), Fabio Schiavolin, Giorgio Drago, Mara Caverni, Roberto Ruozi, Chiara Palmieri, Nicola Iorio, Barbara Poggiali, Salvatore Catapano, Raffaella Viscardi, Angelo Giovannone, Nadia Buttignol, Paolo Scarlatti and Mauro Pisapia. The remuneration of the Directors, including those who are members of the committees, was also decided, except for the remuneration of the Directors holding special offices in conformity with the Articles of Association.
- gave PricewaterhouseCoopers S.p.A. the appointment to perform the statutory audit for the years 2016-2024 and determined its compensation.

Board of Directors meeting of June 9, 2016

During its meeting that followed the Shareholders' Meeting, the Board of Directors of SNAI S.p.A. appointed Mara Caverni and Fabio Schiavolin Chairwoman of the Board of Directors and Managing Director, respectively.

The Board of Directors also evaluated the independence of its Directors based on the statements given by the Directors and on the information at the Company's disposal. Those who are in possession of the independence requirements are the directors Mara Caverni, Chiara Palmieri, Barbara Poggiali, Raffaella Viscardi and Mauro Pisapia.

The members of the Internal Committees were also appointed.

Members appointed to the "Control and Risks Committee" were: Mauro Pisapia, Raffaella Viscardi and Nicola Iorio; to the "Related Parties Committee" were Mauro Pisapia, Raffaella Viscardi and Chiara Palmieri; and to the "Remuneration Committee" were Roberto Ruozi, Barbara Poggiali and Chiara Palmieri.

E. Directors' estimates related to the going concern requirements

The capital, financial position and operating results of the SNAI Group are characterised by: (i) negative results, partly due to the effects of unforeseeable phenomena, as well as a significant amount of amortisation/depreciation and financial expenses, (ii) intangible assets of a significant amount as compared to the shareholders' equity which is reduced due to accumulated losses, (iii) a significant level of indebtedness, with flows assigned to its reduction that are limited by the absorption of liquidity required by the investments that are typical of the business, and by financial expenses.

In particular, as regards the half year ended June 30, 2016, the Directors highlight that the SNAI Group reported a net loss of Euro 0.4 million. Net financial indebtedness, equal to Euro 440.1 million, is mainly composed of bond loans issued and subscribed on December 4, 2013 (Euro 320 million and Euro 160 million) and on July 28, 2015 (Euro 110 million), to be repaid in 2018.

The Directors reported that the results in the six months ended June 30, 2016 were negative for Euro 0.4 million, as compared with a Euro 0.3 million profit of the previous period that comprised the positive effect of the Barcrest transaction recorded in the first quarter of 2015. The Directors also reported that the net loss was better than expected, and this was mainly due to several major phenomena: i) the revenues and margins generated by the on-line division owing to greater wagers; ii) the revenues and margins of the AWP business owing to the cards being replaced quicker than was forecast, which indeed softened the impact of the increased PREU; iii) the reduction of some general costs due to the merger with the Cogemat Group.

Moreover, Directors reported that the merger with the Cogemat Group, completed on November 19, 2015, allowed for the increase in 2015 in share capital in the amount of around Euro 37.2 million, and more generally the increase in Shareholders' Equity, in the amount of Euro 140 million. By virtue of the same transaction, the Shareholders' Equity as of June 30, 2016, amounted to Euro 135.2 million, compared to Euro 135.6 million as of December 31, 2015. In addition to the effects on Shareholders' Equity and indebtedness, Directors underline that the three extraordinary transactions, which characterised the year 2015 (Cogemat, SIS e Finscom), define a new consolidation area of the SNAI Group, with:

- a wider and deeper direct presence at the local level (with 63 new owned sales points, disseminated over the entire national territory), and an extension of the total network with another 185 shops and corners of the Cogemat Group network;
- a higher market share in the Gaming Machines segment (second operator at domestic level, with over 15% of market share);
- a more balanced profitability amid the various components resulting from Gaming Machines and
- a minor portion of EBITDA affected by the oscillation of payout on betting.

Within this context, there are still uncertainties, some of which beyond the exclusive power of Directors, connected with uncertainty of successful future events and with the features of the reference market. These uncertainties might affect margins and the Group's future refinancing capacity.

Therefore, the SNAI Group's ongoing perspective is affected by the following factors:

SNAI Group: Condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2016

- Renewal of concessions for the network of betting sales points that fell due on June 30, 2016. In view of the non-publication of the selection procedure and the imminent expiration of the concessions, with its memorandum 54917 dated June 9, 2016, the Agenzia delle Dogane e dei Monopoli - in order to ensure continuity of the public service of collecting bets in the higher interests of law and order, the revenue and the protection of employment - decided to allow continuation of the activity until the tender is published for all those who by June 30, 2016, had formally committed themselves to participating in the tender, confirming their commitment with the submission of relevant guarantees (or an extension of those already in effect) for all obligations that have emerged under normal conditions, even if they emerged after the concession expired, for the entire term of the concession (understood until June 30, 2017) and for the mandatory management period, as well as for another year following said expiration (i.e. June 30, 2018). SNAI S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l. formally and promptly displayed their will to continue to collect bets by finalising and lodging the relevant project together with the aforesaid guarantees. The Company aims at renewing its concessions in the field of bets as this plays an important role in its business. Based on information available today on the characteristics of the tender related to betting, as set out by 2016 Stability Law, the Company deems that the Group will be eligible to obtain the renewal of the concessions currently managed.

Always with respect to concessions, it is worth noting that, during 2015, ADM sent a number of notices to the Company as regards the non-payment with respect to some equity ratios, as provided for by the concession agreements themselves. The agreements set out, in fact, that the concession holders should maintain “equity soundness requirements” to prove the fulfilment of some capital ratios which, if unfulfilled over a prolonged period of time, would theoretically result in a procedure related to the expiration or revocation of concessions themselves. Supported by (i) the fact that as of December 31, 2015, the ratio deemed as the most important (net indebtedness/shareholders’ equity ratio) was fulfilled, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is unlikely and (iii) the written confirmation by ADM that the proceeding started is only for monitoring purposes, the Directors believe that there are no risks resulting from the unfulfillment of the capital ratios that might affect the maintenance or renewal of concessions.

- The SNAI Group’s capacity to generate adequate cash flows. Directors deem that SNAI’s consolidated Business Plan (approved on March 12, 2015) contains forecasts that are no longer updated by reason of the merger of the Cogemat Group into the SNAI Group and the new macro-economic and regulatory context in which the SNAI Group operates. While compiling the new consolidated Business Plan, on April 21, 2016 the directors approved the guidelines of corporate estimates for 2016-2019 (“2016-2019 Guidelines”), based on which the main evaluations were made for the 2015 financial statements.

The new Business Plan is currently being completed as estimates have to be fine-tuned with respect to scenarios that are still being defined, like (i) estimates on timing and investments connected with the tender for new concessions on the network of betting sales points that expired on June 30, 2016 and are presently being extended until publication of the tender as explained above, (ii) further savings that are expected from SNAI-Cogemat merger and (iii) benefits from the reorganization of the network of shops owned by the Finscom and former SIS network.

Based on estimates contained in the Guidelines, the SNAI Group deems it appropriate to aim at the growth in wagers over the next few years (this will result in increased revenue and margin) through a number of initiatives including increased on-line offer and an increased offer related to virtual events.

In addition to the above, benefits are expected in terms of reduced operating costs and optimization of investments resulting from the merger with the Cogemat Group, as well as from wagers connected with the re-opening of 63 SIS/Finscom sales points. Moreover, the combined effects of novelties, introduced in the segment of gaming machines by the 2016 Stability Law, will have a limited impact on the SNAI Group’s margins in 2016 and, prospectively, substantially no impact with respect to a progressive reduction in payout permitted for Gaming machines (AWPs).

Lastly, the 2016-2019 Guidelines reflect the reduction of amortisation/depreciation and financial expenses due to (i) the renewal of concessions for the network of betting sales points that expired on June 30, 2016 and are presently being extended until the tender is published as explained above, with an estimated investment based on indications set out by the 2016 Stability Law that are significantly lower than the historical cost currently recognised in the financial statements and (ii) the use of cash resulting from corporate future performance for the partial reimbursement of the Group’s indebtedness.

Within this context, uncertainties connected with the Company’s performance should decrease by effect of the new product mix of the Group, which will witness the increase in importance of gaming machines, a possible improvement of payout on sports bets, thanks to new management agreements that better align the interests of the network with SNAI’s ones and the new taxation on betting, which is calculated on margin and no longer on wagers, thus reducing the tax burden in the event of particularly unfavourable payouts.

- The Group’s ability to refund the loans upon maturity, or to refinance its indebtedness. Taking account of the above, the SNAI Group believes that it will be able to achieve a progressively improving result, thus generating adequate operating cash flows to support the investments that are required to develop the Company’s business and to partially redeem/refinance loans in place, also through the issue of new financial instruments. Moreover, taking account of the relevant indebtedness of the SNAI Group and of the negative results reported over past years, taking also account of uncertainty connected with the reference market, it should be underlined that the

non-renewal of a significant portion of the current rights and/or non-generation of profit and adequate cash flows and/or the non-redemption, upon maturity term, of loans in place, or their refinancing, might affect the ongoing basis of the Company, unless additional capital resources and/or credit lines are found, which are still to be defined.

Taking account of the above, the Directors believe that targets set out in the 2016-2019 Guidelines are reasonable and that, albeit in the presence of the foregoing uncertainties, the Group has the capacity to continue its business operations in the near future, and therefore have prepared the half-yearly financial statements based on the going concern assumptions.

On the other hand, the same Directors acknowledged the necessity to carry out a careful and constant monitoring of results, in order to timely assess any further factors that might have a negative impact on corporate performance, therefore affecting the current and future years and, in general, the achievement of an economic, equity and financial balance.

F. Description of main risks and uncertainties to which the company and the companies included within the consolidation perimeter are exposed

F.1 DESCRIPTION OF THE RISKS

Pursuant to the provisions of art. 154-ter of Legislative Decree 58/98, set forth below is a description of the Group's exposure to risks and uncertainties in the six months ended June 30, 2016. It should be noted that the Group has always been particularly attentive insofar as the prevention of risks of all types which could impair its results of operations or the integrity of its assets.

The SNAI Group operates on the market for the collection of gaming and betting wagers, which include mainly sports and horse racing bets, lawful gaming through AWP (formerly known as new slots) and through VLTs (videolotteries) as well as on-line skill, bingo and casino games. That market is regulated by the State authorities by issuing concessions. Therefore, the related risk refers to renewals of the concessions and more generally the elevated regulation of the sectors in which the Group operates and the complexity and inconstancy of the pertinent legislative framework.

Concession and Regulatory-related risks

The betting and gaming sector in Italy is highly regulated by the ADM, which establishes (i) which games can be introduced in Italy and, for specific activities, what costs can be charged for the related games by the operators, (ii) the level of the prizes to be paid out to the winners, (iii) for determinate activities, the level of consideration to be acknowledged to the concession holders, SNAI S.p.A. inclusive, (iv) the maximum number of points and if a given concession is exclusive or available to several concession holders and (v) the minimum service levels.

Furthermore, the 2016 Stability Law, which came into force on January 1, 2016, introduced important innovations for the gaming market in Italy. The reduction of the payout of the AWP envisaged therein, with the possible repercussions on the expenditure of the players, and the more stringent legislation on the issue of the AWP authorisations could lead to a decrease in the volumes of wagers taken.

The ability of the SNAI Group to continue to carry out its activities in the gaming sector depends, to a large extent, on maintaining the concessions which it holds. The same 2016 Stability Law envisaged, for the year underway, the renewal of the concessions on bets expiring in June 2016, with the consequence that the Group could be exposed: (i) to the risk of non-renewal of the concessions with consequent loss of incoming cash flows, reduction of margins and impossibility of supporting the financial debt, (ii) the financial risk linked to the need for a high outlay during the tender stage for the renewal of the concessions not being able to support the financial debt. In order to ensure continuity of the public service of collecting bets, with its regulation dated June 9, 2016, ADM extended the concessions expired on June 30, 2016, until the tender is published. The non-renewal (or partial renewal) of the concessions that expired on June 30, 2016, could have negative effects on the operating flows supporting the indebtedness, on the maintenance of the outstanding credit facilities, as well as on the maintenance of the goodwill recorded in the financial statements (with possible balance sheet effects with regard to the maintenance of the supposition of the company as a going-concern).

If the SNAI Group does not then manage to maintain a constructive relationship with the ADM, or if said relationship should be negatively influenced for any reason, negative effects could come about on the activities and on the income statement, balance sheet and/or financial situation of the Issuer and the SNAI Group.

Furthermore, the failure to observe the applicable laws, regulations and rules could lead to investigations and action for contrasting the same, the revocation or non-renewal of the concessions or the licences necessary for carrying out the activities, criminal and/or administrative sanctions or the separation, suspension or termination of the SNAI Group's activities.

Exchange rate risk

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

For a further description of financial risks, please see the notes to the financial statements with regard to IFRS 7. As regards the risk of non-compliance with regulations and laws, the Company is of the view that such risk is managed through an adequate organisational structure.

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

Market Risk

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

A portion of the SNAI Group's debt portfolio is exposed to market interest rate fluctuations. Changes in interest rates generally do not generate significant impacts on the fair market value of such indebtedness, but could have significant effects on the Group's results of operations, business operations, financial conditions and future prospects.

Credit Risk

Credit risk is the risk of financial loss deriving from a client or counterpart that does not fulfil its contractual obligations. The collection of bets, or legal gambling carried out at the betting shops within the country may generate a credit risk for the Group, since its revenues originate from the concessions of the Agenzia delle Dogane e dei Monopoli ("ADM"). This is due to the fact that bankruptcy and losses, incurred by one or more members of the distribution network, or the interruption of relations with one of the latter for any reason, can negatively impact the operating result, the business activities, financial position and the prospects of the SNAI Group.

The management is of the view that going forward; a significant portion of its operations and profits will continue to depend upon ADM concessions and a distribution network consisting of third parties. In detail, management believes that the possible introduction of legislative provisions aimed at introducing a different taxation of the games (as occurred during 2015 and 2016) could have immediate repercussions on the credit risk since it affects the profitability of the gaming sector.

Liquidity Risk

Liquidity risk is the risk of unavailability of adequate sources of funding for the Group's operations. The Group's capacity to maintain its existing agreements as of the date of renewal and to invest in new contractual opportunities depends upon its capacity to access new sources of funding for such investments. To purchase and renew concessions, as well as maintain and invest in the technological renewal of the distribution network, typically requires cash outflows, and the possibility of not having enough liquidity at the appropriate moment might reflect negatively on the operating results, the business activities, the financial position and the prospects of the Group. The Group's exposure to such risk is linked principally to the commitments under the loan transaction entered into in December 2013 and July 2015 with the issue of bond loans and the entering of a revolving facility unused as of June 30, 2016.

Country Risk

Country risk is the risk that changes in regulations or laws, or in the economy of a country in which the Group operates may have adverse effects on expected profits. The Group operates a domestic business and generates all its revenues through transactions carried out in Italy.

Risks related to the SNAI Group's transactions derive from, in particular, a greater level of government regulation of the physical and online gaming and betting sector, controls or restrictions on cash and online transactions and possible political instability. Other economic risks for the Group's national operations may include inflation, high interest rates defaults on debt, unstable capital markets and restrictions on direct investments and changes in the interpretation or application of tax laws. Political risks include changes in leadership, changes in government policies, new controls regulating cash-flows within the country, the inability of the government to honour existing agreements, changes in tax legislation and corruption, as well as risk aversion.

Operating Risk

Operating risk is the risk that external events or internal factors may translate into losses. The sector in which the SNAI Group operates is strictly regulated and failure to comply with the laws and regulations, or changes to them, can negatively affect the operating result, the business activities, the financial position and the prospects of the Group. A significant portion of the revenues and results originated from business, which is regulated through a state concession, which is of a limited nature and can be subject to revocation, thereby negatively affecting the Group's results. Because it operates through state concession, the SNAI Group may also be subject to the application of significant penalties in the event of ascertained contractual violations. The Group concessions certain agreements and various service contracts often require direct or indirect guarantees in order to guarantee the performance of such agreements and impose upon the Group obligations to pay indemnities for damages that may arise as the result of contractual breach. The payables ensuing from guarantees and the compensation for material damages, as well as any eventual penalties, could have negative effects on the Group's results from transactions, businesses, financial terms and conditions or future prospects. Changes in the law or regulations could reduce the margins applicable to concession holders, or reduce the number of concessions available, causing the results of the Group to suffer negative effects.

The part of the business deriving from fixed rate bets can be characterised, in the short term, by uncertainty over the results due to the volatility of the pay-out.

The Group operates in a highly technological environment and any problems in protecting the integrity and security of this environment may result in unexpected expenses and legal damages that could negatively impact the company's brand name and the reputation on which the ability to achieve the result set is based.

Finally, negative publicity surrounding the betting environment by state or local authorities, media or private organisations may damage the reputation of the SNAI brand and consequently have a negative effect on the operating results, the business activities, the financial position and the prospects of the Group, in the same manner that the Group's operations can be negatively impacted by the illegal collection of bets and illegal gambling.

F.2 DESCRIPTION OF UNCERTAINTIES

Legal proceedings

Given the nature of its business operations, the Group is involved in a series of legal, regulatory and arbitration proceedings which pertain to, among other things, potential assets and liabilities, as well as injunctions by third parties deriving from the ordinary conduct of its business operations. The outcomes of these proceedings or similar proceedings cannot be predicted with certainty. Unfavourable conclusions of such proceedings or significant delays in the resolutions could have adverse effects on the Group's business, its financial condition and its results of operations. For a description of the main legal proceedings and potential liabilities, please see paragraph 29 "Funds for risks and future charges, litigation and potential liabilities" of the Explanatory Notes to the condensed consolidated half-year financial statements.

Relations with the Government

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

The failure of a company of the Group, or the malfunctioning of any system or machine, in order to obtain or maintain a concession or request an authorisation may have an adverse effect on the Group's capacity to obtain or maintain the concessions requested or the approvals. Possible adverse events may have adverse effects on the Group's results of operations, business or prospects. Furthermore, there have been, there are and there may be in the future, various types of verifications conducted by the authorities on possible wrongful/unlawful acts related to tenders or tender awards. Such verifications are generally conducted secretly, and therefore the Group is not necessarily aware of its involvement. The Group's reputation for integrity is an important factor as regards the activities engaged in with the concession-granting authorities: any accusation or suspicion of wrongful or unlawful conduct attributable to the Group or a thorough verification could have material adverse effects on the Group's operating, economic and financial results, and on its capacity to maintain existing concessions and contracts or obtain new contracts or renewals. Moreover, negative publicity caused by such proceedings could have material adverse effects on the Group's reputation, results of operations, economic and financial condition and future prospects.

G. Transactions with related parties

The Board of Directors is in charge of drafting the Report on corporate governance and ownership structures pursuant to art. 123-bis of the TUF which, moreover, provides disclosure on the related party transaction procedure approved by the Board of Directors on November 29, 2010 in compliance with the provisions of the Related Party Transactions Regulation issued by Consob through resolution no. 17221 of March 12, 2010, subsequently amended by resolution no. 17389 of June 23, 2010.

Pursuant to Consob memorandum DEM/10078683 of September 24, 2010, the recommendation to companies is to assess at least every three years, whether to carry out a review of the procedure, taking also into account any changes that may have in the meanwhile occurred in terms of the corporate assets as well as the efficacy of the procedures as demonstrated upon application.

To this end, based on the resolution of the Board of Directors taken at its meeting of November 20, 2013, a committee named the "Related Parties Procedures Committee" was established. It is composed of three independent directors whose task it is to verify the procedure governing the Company transactions with related parties.

In its meeting of March 27, 2014, and based on the practice applied in previous years, the Committee resolved unanimously to propose to the Board of Directors to make certain amendments/supplements to the procedure.

On this basis, the company's Board of Directors, in its meeting of March 27, 2014, approved the new Procedure for Related Parties.

The Procedure ensures that transactions with related parties take place transparently and in compliance with the criteria of essential and procedural correctness.

In the notes to the condensed consolidated half-year financial statements, under Note 34, the relations with related parties which are recorded in the balance sheet, income statement and financial commitments of the SNAI Group are specified in detail.

H. Human resources and industrial relations

As of June 30, 2016, the SNAI Group employed 1,312 persons, 5 persons less than year-end 2015 and 520 persons more than June 30, 2015.

This latter increase is primarily due to the hiring of personnel in the newly incorporated SNAI Rete Italia S.r.l. held by a sole quotaholder and SNAI S.p.A.'s acquisition of the Cogemat/Cogetech Group effective November 1, 2015.

The staff is divided up as follows:

SNAI Group	As of June 30, 2016	As of June 30, 2015	As of December 31, 2015
Executives	31	26	37
Office workers and middle managers	1,220	703	1,218
Blue-collar workers	61	63	62
Total Employees	1,312 (*)	792 (**)	1,317 (***)

(*) of whom 368 part-time and 23 on maternity leave

(**) of whom 188 part-time and 23 on maternity leave

(***) of whom 349 part-time and 14 on maternity leave

The parent company SNAI S.p.A. adopts the C.C.N.L. [Contratto Collettivo Nazionale di Lavoro – the National Collective Labour Agreement] for “workers employed in the private metals and mechanical industry and the installation of equipment” and the C.C.N.L. for Trade for the staff of the Service Centre, for the quoters and the sales force, as well as for the staff of the directly run agencies.

Teleippica S.r.l. adopts the C.C.N.L. for private radio and television employees.

TRENNO S.r.l., operating in the horse race segment, adopts the C.C.N.L. for “Horse racing companies” and the Agreement “For the discipline of the workers involved in bet taking and payment at the entrances and various services of racetracks also in concurrence with the race days or other events carried out inside the racetrack dated January 11, 2013, and subsequent amendments and additions”.

The companies Finscom S.r.l. and SNAI Rete Italia S.r.l. held by a sole quotaholder adopt the C.C.N.L. for Trade, as well as the Protocol of the betting agencies, for the staff of directly run agencies.

Cogetech S.p.A. and Cogetech Gaming S.r.l. adopt the C.C.N.L. for Trade, as well as the Protocol of the betting agencies, for the staff of directly run agencies.

It is hereby reiterated that the organisational model adopted is comprised of the following documents: code of ethics, organisational model, job descriptions and management procedures.

I. Health and safety in the workplace pursuant to 2428 of the Italian Civil Code

Conformity with Legislative Decree 81/08 and subsequent amendments

During the first six months of the year, the Safety Organisation Chart was drawn up and the *Safety Managers* were appointed for Snai S.p.A. A follow-up course was planned for the Managers in order to reinforce the skills learned during the “*Safety Managers*” course and to become more aware of what it means to be a Safety Manager. The new Health and Safety Manager was appointed for the Rome and Porcari head offices, whose mandate started on 1 July; this appointment will require all pertinent documents to be reviewed.

The mandatory training course for the “*Fork-lift drivers*” was also held.

A Safety training programme was defined and prepared, and it will be implemented starting from the second six months of 2016.

The document functional to the definition of the new health protocol that will be made available to the competent doctor is being completed.

As regards Snai Rete Italia S.r.l., Health and Safety at the workplace training for agency personnel was provided. Training courses for safety officers and the training necessary for forming first aid and fire-fighting squads were also provided.

As regards Trenno S.r.l., general and specific training of workers was constant and supplemented with training sessions, carried out by experts, on the use of equipment and individual protection devices. Lastly, a mobile emergency response unit has been made available at the facilities as a safeguard in the event of accidents during the races or training sessions.

Restructuring and requalification periodically took place within the racing installations run by Trenno S.r.l. to improve their reception and operating capacity in order to ensure maximum technical and qualitative levels for all who operate therein.

As regards Teleippica S.r.l., a new Health and Safety Manager was appointed for the company's head offices, whose mandate started on July 1; this appointment will require all pertinent documents to be reviewed.

As regards Cogetech S.p.A., the mandate given to COGENIA to take over the role of Health and Safety Manager was confirmed, and the new competent doctor was appointed.

Medical examinations in observance of the deadlines are under way for all Group companies.

OHSAS 18001 conformity

In June 2016, Cogetech S.p.A. carried out the annual audits in anticipation of renewal of the Occupational Health & Safety Management System certification.

J. Training pursuant to Legislative Decree 231 and Owners and Persons in charge of gaming arcades

J.1 Training pursuant to Legislative Decree 231/01 and on anti-money laundering pursuant to Legislative Decree 231/07

Training on the update of the Organisation, Management and Control Model pursuant to Legislative Decree 231/01 has begun for all Snai S.p.A. employees. We are also continuing training on the topic of anti-money laundering addressed to the Business Units and physical and on-line gaming operators for the personnel of SNAI S.p.A. and Cogetech S.p.A. This programme will afterwards involve the sales network.

Training on anti-money laundering has been started for the Snai Rete Italia S.r.l. agencies, and it will involve all people in charge of the Agencies.

On April 21, 2016 Cogemat S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l. updated the organisation, management and control models pursuant to Legislative Decree 231/01 by adapting them to the new offences of self-laundering (Law 186/2014), offences against the public administration, association with the Mafia and false accounting (Law 69/2015) and the offences against the environment (Law 68/2015).

The companies held the refresher courses for management and employees.

J.2 Training of Owners and Persons in charge of gaming arcades

In compliance with the content of the regional legislation in force in Lombardy and Emilia, Snai Rete Italia S.r.l. is working at the course for Owners and Persons in charge of gaming arcades addressed to Agency employees.

K. Business outlook and events that have occurred since the end of period

K.1 Business outlook and updates on Business Plans

K.1.1 2016 Stability Law

Before illustrating the business outlook, it is appropriate to recall the legislative innovations introduced by the 2016 Stability Law having considered the repercussions which the same may have on the Group's operations and margins.

The failure to present the delegated decree in accordance with Article 14 of Italian Law No. 23 dated March 11, 2014 (so-called fiscal delegated decree) for the systematic review of the discipline of public games and the relaunch of the horse racing sector has forced the Government to include in the 2016 Stability Law (Italian Law No. 208 dated December 28, 2015) some of the main measures envisaged in the aforesaid fiscal delegation.

The Government therefore identified the finance law as the instrument for overcoming a number of "crippling" critical aspects for the sector and in some cases indispensable for the launch of the scheduled selection procedures (tender for betting, tender for bingo and for remote gaming).

Law No. 208 dated December 28, 2015 (2016 Stability Law) was published in the Italian Official Gazette on December 30, 2015.

The measures of greatest impact with regard to public gaming are illustrated below.

Measures regarding gaming machines

- Section 918 established the increase of the flat-rate gaming tax (PREU) for gaming equipment as per Article 110.6, letter A) so-called AWP's from 13% to 17.5% of the wagers played and the simultaneous reduction of the minimum payout acknowledged to the player from 74% to 70% of the wagers taken;
- Section 919 established the increase of the flat-rate gaming tax (PREU) for gaming equipment as per Article 110.6, letter b) so-called VLT's from 5% to 5.5% of the wagers played.
- Section 920 repealed section 649 of Article 1 of Italian Law No. 190 dated December 23, 2014, which envisaged the reduction of the fees of the gaming machine industry for Euro 500 million and which led the Lazio Administrative Court to raise the exception of constitutionality of the norm before the Authorities; the subsequent section 921, with authentic interpretative norm of the provisions as per the afore-mentioned repealed section 649 (therefore valid for the period of enforcement), envisages that the reduction of the fees applies to each operator of the industry in proportionate to their participation in the distribution of the fee, on the basis of the related contractual agreements, having taken into account their duration in 2015.
- Section 922 envisaged that as from 2016, the issue of the authorisation of the newslots is only permitted in replacement of those already existing: therefore, the admission of additional machines is precluded.
- Section 943 delegates the definition of the process for the technological evolution of the newslot machines to a ministerial decree: it established the changeover to machines with remote control gaming systems (like VLT's). After December 31, 2017, authorisations can no longer be issued for the newslot machines which will have to be discarded by December 31, 2019. As from January 1, 2017, authorisations can be issued for machines which permit remote gaming. In the meantime, a proportional reduction of at least 30% of the authorisations referring to machines active as of July 31, 2015, referable to each concession holder, is envisaged. Therefore, reference is made to an implementing decree in order to discipline the formalities of this reduction, the cost of the new authorisations and the methods for the related payment, also in instalments.

- Section 936 specifies that by April 30, 2016 the characteristics of the wager collection points and the criteria for the geographic distribution be defined during the Joint Conference. The agreements are acknowledged by means of decree of the Ministry of the Economy and Finance, having consulted the competent parliamentary Commissions. The term established in the rule was not met, and still today an agreement has not been reached.

Measures regarding public gaming

- Section 944 envisages as from January 1, 2016, the changeover to the regime of taxation on the margin for remote ability games with cash winnings. The single tax applicable is fixed to the extent of 20% of the sums which are not returned to the player. The margin is equal to the difference between the wagers played and the winnings paid. At present, taxation is envisaged for these games in the wagers taken with a rate of 3% (with a market payout of 90%).
- Section 945, again as from January 1, 2016, envisages the changeover to the regime of taxation on the margin for fixed quota bets (18% for the bets on the physical network and 22 percent, if the wager takes place remotely). As from January 1, 2017, for remote Bingo games, the single tax is established to the extent of 20% of the sums which are not returned to the player.
- Paragraph 932 sets out that on May 1, the selection proceeding would be started to award, for the next nine years, concessions for the wagers of sports bets and horse racing bets (the relevant concessions are expiring on June 30, 2016 and the law sets out that they will continue to operate - through technical extension - until signature of the new conventions), for a total amount of 15,000 rights, divided as follows:
 - 10,000 special gaming shops (tender base of Euro 32,000);
 - 5,000 gaming corners, of which 1,000 max in shops selling food and drinks (tender base of Euro 18,000).
 Publication of the selection procedure was slowed down mainly by the failure to reach the agreement pursuant to section 936. As of today, the time needed to start the procedure in question remains unknown.
- Launch of a selection procedure for the entrusting of 120 concessions for the marketing of remote games, to be publicly announced by July 31, 2016, establishing a one-off cost of Euro 200,000. In practice, this involves the replacement of the concessions expiring on June 30, 2016.

In conclusion, mention is made of section 898 of the Law which raised the limit to the use of cash from Euro 1,000 to Euro 3,000. However, the limit of Euro 1,000 is introduced for Money transfers.

In general, the innovations introduced by the 2016 Stability Law, including therein the repeal of the tax of Euro 500 million introduced by the previous 2015 Stability Law, represent a step forward towards the definition of a more balanced regulatory and fiscal system in keeping with the characteristic business dynamics of the gaming sector. In fact, if on the one hand the taxation on gaming Machines is increased, on the other instruments are introduced aimed at handling the negative impact for the distribution industry by means of greater flexibility on the payout of the machines and by means of the evolution of the same machines destined to converge over the next three years in the innovative AWP3s. Also the changeover to the regime of taxation on the margin within the gaming sphere, represents an important change for the Concession holders, reducing the negative impact on the margins in the event of particularly unfavourable payouts.

K.1.2 Agriculture Attachment – Delegated law for reform of the horse race segment

The Agriculture attachment approved by the Senate once and for all on July 6, 2016 should now be published in the Official Journal in order for it to go into effect. The measure under article 15, "Delegates the government to reorganise the entities, companies and agencies supervised by the Ministry of Agriculture, Foodstuff and Forestry to reform the horse racing segment and to reorganise the technical assistance provided to the breeders and the revision of the animal reproduction regulations", delegates the government to enact one or more legislative decrees concerning reorganisation of the entities, companies and agencies supervised by the Ministry of Agriculture, as well as the reorganisation of the methods of funding and managing the development and promotion of the national horse racing segment.

More specifically, as regards the horse racing segment, a mandate is expected to be given to the government to reorganise methods for funding and managing the development and promotion of the national horse racing segment by generally reassessing the horse racing wagers and singling out a body to which to refer the horse racing event organisation functions.

The aim of the mandate is to rationalise the horse racing segment without entailing any burden for public finance, in this way progressively reducing the public resources transferred each year to the above-mentioned body. These results will be particularly pursued by:

- assigning resources to be used for funding the horse racing segment commensurate with the levels of revenue generated by horse race betting;
- restructuring horse race betting products, reviewing their rates and the consequent expected increase of the relevant tax revenue against any increase in horse race betting;
- the progressive reduction of government grants arising from other sources of revenue other than horse race betting, which will be replaced with the private resources and activities carried out by the new body.

Therefore, the segment is expected to undergo reform leading to self-sufficiency to be achieved within five years, with diminishing government grants, in parallel with a revision and relaunch of the funding systems related to betting and the other trade revenue from gaming and horse racing-related events.

K.1.3 Business outlook and updates on Business Plans

The Group's strategic objective is to consolidate its leadership position on the betting market with regard to the retail channel and increase the market share on the on-line channel. Thanks to the merger with Cogemat, the Group can count in an aggregate portfolio of products and on the expertise necessary for playing a prominent role also in the gaming machine sector. The know-how, available resources and the technological platforms of the new Group, together with an enhanced management team, will make it possible to achieve this objective.

In light of the new perimeter deriving not only from the merger with the Cogemat Group but also from the acquisition of Finscom S.r.l. and from the rental of the SIS business segment (by Snai Rete Italia S.r.l.), during 2016 the operations will mainly be characterised by the launch and execution of all the activities consequent to the proposed mergers and the extension of the activities in which the Group will be involved.

The main objectives are represented by the improvement of the market performances and the operating and financial efficiency thanks to the union of the expertise and experience of SNAI S.p.A. with that of the Cogemat Group.

In the sports betting business, the main activities will be focused in the increase of the "Live" offer by means of further development of the channels offered under streaming and a constant improvement of the risk management. New contractual formulas will also be introduced with the distribution industry with the aim of achieving the optimum balancing between management of the payout and wager volumes.

With regard to horse racing bets and those on simulated events, the Group's objectives are respectively represented by the extension of the offer on the horse racing fixed quota and the arrangement of the platforms for the increase in the number of daily events.

With reference to the Tender call for the awarding of the betting rights envisaged in 2016, the Group's minimum objective is to confirm the current scope of shops and corners.

In the gaming machines sector, the increase in the market share will be pursued by means of new canvassing for acquisitions and the downstream integration of the distribution chains.

In the VLT business, the activities will be focused on the further optimisation of the distribution network aimed at improving the average performance of the installed VLTs, on the precise management of the VLT payout and on the targeted selection of new gaming content.

In the AWP segment, a process will be furthered for retaining the loyalty of the major operators thanks to the creation of a group of selected partners for the future management and entrusting of the remote AWP's and any commercial development in pre-assigned geographic areas.

The supply of on-line games will also be developed with particular focus on casino games and cross-selling activities in sales point, as well as the extension of the network and the distribution channels for the added value services.

With regard to the retail network of SNAI Rete Italia S.r.l. and Finscom S.r.l., the objectives are identified in the improvement of the management efficiency and the operating performance thanks to targeted repositioning, restyling and promotional activities. In conclusion, the outsourcing strategy will be launched during 2016 via the entrusting of the SNAI Rete Italia S.r.l. and Finscom S.r.l. points to third party operators.

Progress of the business plan

The afore-mentioned activities for the merger with the Cogemat Group within the SNAI Group and the reorganisation of the SIS and Finscom S.r.l. agency chains require the definition of a new Business Plan that is able to seize the expected improvements in performance both in the generation of revenues as well as in the operating efficiency offered by the new potential of synergies linked to expertise and the available means of the new Group.

Therefore, as things stand, also due to the changes which recently took place in the regulation of the sector, the previous SNAI S.p.A. plan is deemed no longer suitable by the Directors.

The new business plan, which will be defined during 2016, will draw inspiration and develop the 2016-2019 Guidelines, already referred to in the section relating to the assessment of the business as a going-concern, and may supplement a number of essential inputs which will be outlined during the year such as:

- (i) timescales, costs and results of the tender call for the new sport concessions;
- (ii) savings deriving from the SNAI-Cogemat merger sites, including therein the verification underway with the trade union organisations; and
- (iii) the effects of the reorganisation of the network of shops headed up by SIS S.r.l. in liquidation and Finscom S.r.l.

The closure in the six months ended June 30, 2016 shows an EBITDA performance which is better compared to the first six months of the previous year and compared to expectations as well.

The differences compared to the forecasts are attributed to several major phenomena: i) the revenues and margins generated by the on-line division owing to greater wagers; ii) the revenues and margins of the AWP business owing to the cards being replaced quicker than was forecast, which indeed softened the impact of the increased PREU; iii) the reduction of some general costs due to the merger with the Cogemat Group.

K.2 Events subsequent to the end of the reporting period

As regards the other events occurred after the period, reference is made to Note 41 of the explanatory notes.

L. Other information

L.1 Other information pursuant to article 2428 of the Italian civil code and article 40 of Legislative Decree 127 (2428 of the Italian civil code)

The subsidiary Finscom S.r.l. owns 70,624 SNAI shares for a nominal value of Euro 36,724.48.

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

The SNAI Group manages commercial risks vis-à-vis its customers internally.

L.2 Option to take advantage of national tax consolidation

In September 2015, the corporate bodies of SNAI S.p.A. and Teleippica S.r.l. renewed their three-year option to participate in the national tax consolidation, based on the articles of Italian Presidential Decree No. 917 of December 22, 1986, and subsequent amendments. At the same time, the option to adhere to the tax consolidation between SNAI S.p.A. and the newly established subsidiary SNAI Rete Italia S.r.l. was exercised for the same period.

On June 11, 2013, Trenno S.r.l. had renewed its commitment to the tax consolidation for a further three years. This option will again be renewed 2016 when the income tax return is filed.

For sake of clarity, it is worth highlighting that the subsidiary Cogemat S.p.A. adheres to a different domestic tax consolidation, which envisages the same Cogemat S.p.A. as parent and consolidating company and the companies Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A. as subsidiaries.

for the Board of Directors
Fabio Schiavolin
(The Managing Director)

Milan, August 5, 2016



Condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2016

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

Milan, August 5, 2016.

**SNAI Group – Condensed Consolidated Statement of
Comprehensive Income for the six months ended June 30, 2016
and 2015**

<i>thousands of Euro</i>	Note	For the six months ended June 30, 2016	of which Related Parties (note 34)	of which non- recurring (note 36)	For the six months ended June 30, 2015	of which Related Parties (note 34)	of which non- recurring (note 36)
Revenues from sales and services	5	436,924	2		254,135	2	
Other revenue and income	6	5,493	2		28,676	2	28,024
Change in inventory of finished and semi-finished products		0			(16)		
Raw materials and consumables	7	(416)			(301)		
Costs for services and use of third party assets	8	(318,738)	(93)		(181,666)	(85)	(1,030)
Costs of personnel	9	(30,466)			(19,756)		
Other operating costs	10	(26,884)	(6)		(19,511)	(6)	(786)
Capitalised internal construction costs	11	450			450		
Earnings before interest, tax, depreciation and amortisation		66,363			62,011		
Amortisation, depreciation and write-downs	12	(27,241)			(28,618)		
Other provisions	29	(150)			89		
Earnings before interest and taxes		38,972			33,482		
Gains and expenses from shareholdings		(5)			55		
Financial income		417			666		
Financial expenses		(31,555)			(28,246)		
Total financial income and expenses	13	(31,143)			(27,525)		
PROFIT/(LOSS) BEFORE TAXES		7,829			5,957		
Income tax	14	(8,225)			(5,623)		
Profit/(Loss) for the period		(396)			334		
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0			0		
Net (loss)/profit from derivatives as cash flow hedges		0			1,062		
Profit/(Loss) from available-for-sale financial assets		17			(110)		
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes		17			952		
Total profit/(loss) in comprehensive income statement, after taxes	25	17			952		
Comprehensive profit (loss) for the period		(379)			1,286		
<i>Attributable to:</i>							
Profit (loss) for the period pertaining to the Group		(396)			334		
Profit (loss) for the period pertaining to Third parties		0			0		
Total profit (loss) for the period pertaining to the Group		(396)			1,286		
Total profit (loss) for the period pertaining to Third Parties		0			0		
Basic earnings (loss) per share in Euro	26	0.00			0.00		
Diluted earnings (loss) per share in Euro	26	0.00			0.00		

SNAI Group – Condensed Consolidated Statement of Comprehensive Income for the three months ended June 30, 2016 and 2015

<i>thousands of Euro</i>	Note	For the three months ended June 30, (*)	
		2016	2015
Revenues from sales and services	5	218,993	125,718
Other revenues and income	6	3,229	970
Change in inventory of finished and semi-finished products		0	0
Raw materials and consumables	7	(169)	(150)
Costs for services and use of third party assets	8	(165,472)	(89,523)
Costs of personnel	9	(15,600)	(10,392)
Other operating costs	10	(13,327)	(11,155)
Capitalised internal construction costs	11	225	225
Earnings before interest, tax, depreciation and amortisation		27,879	15,693
Amortisation, depreciation and write-downs	12	(10,125)	(14,414)
Other provisions	29	(150)	89
Earnings before interest and taxes		17,604	1,368
Gains and expenses from shareholdings		(5)	55
Financial income		185	328
Financial expenses		(15,956)	(14,102)
Total financial income and expenses	13	(15,776)	(13,719)
PROFIT/(LOSS) BEFORE TAXES		1,828	(12,351)
Income tax	14	(3,832)	1,249
Profit/(Loss) for the period		(2,004)	(11,102)
(Loss)/profit from re-measurement on defined benefit plans after taxes		0	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0	0
Net (loss)/profit from derivatives as cash flow hedges		0	531
Profit/(Loss) from available-for-sale financial assets		0	(110)
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0	421
Total profit/(loss) in comprehensive income statement, after taxes	25	0	421
Comprehensive profit (loss) for the period		(2,004)	(10,681)
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		(2,004)	(11,102)
Profit (loss) for the period pertaining to Third parties		0	0
Total profit (loss) for the period pertaining to the Group		(2,004)	(10,681)
Total profit (loss) for the period pertaining to Third Parties		0	0
Basic earnings (loss) per share in Euro	26	(0.01)	(0.10)
Diluted earnings (loss) per share in Euro	26	(0.01)	(0.10)

(*) Not subject to limited review

With regards to the transactions with related parties, reference is made to note 34 "Related parties".

SNAI Group – Condensed Consolidated Statement of Financial Position as of June 30, 2016 and December 31, 2015.

<i>thousands of Euro</i>	Note	As of June 30, 2016	of which Related Parties (note 34)	As of December 31, 2015 Restated (*)	of which Related Parties (note 34)
ASSETS					
Non-current assets					
Property, plant and equipment owned		138,538		144,207	
Property, plant and equipment finance lease		2,839		2,936	
Total property, plant and equipment	15	141,377		147,143	
Goodwill		306,521		306,521	
Other intangible assets		157,314		166,057	
Total intangible assets	16	463,835		472,578	
Investments accounted under the equity method		2,492		2,490	
Other investments		46		50	
Total investments	17	2,538		2,540	
Deferred tax assets	18	23,342		29,344	
Other non-financial assets	21	4,102		3,304	
Financial assets	22	1,778		1,773	
Total non-current assets		636,972		656,682	
Current assets					
Inventories	19	548		641	
Trade receivables	20	139,480	4	136,169	
Other assets	21	33,024		55,255	
Current financial assets	22	18,320		21,432	
Cash and cash equivalents	23	138,785		107,588	
Total current assets		330,157		321,085	
TOTAL ASSETS		967,129		977,767	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity attributable to equity holders of the Parent Company					
Share capital		97,982		97,982	
Reserves		37,660		91,874	
Loss for the period		(396)		(54,231)	
Total shareholders' equity attributable to equity holders of the Parent Company		135,246		135,625	
Shareholders' equity attributable to non-controlling interests					
Total shareholders' equity	24	135,246		135,625	
Non-current liabilities					
Employee termination indemnities	27	8,676		8,641	
Non-current financial liabilities	28	575,078		573,101	
Provisions for risks and charges	29	20,848		27,099	
Other non-current liabilities	30	5,613		6,264	
Total non-current liabilities		610,215		615,105	
Current liabilities					
Trade payables	31	41,164	4	42,365	30
Other liabilities	30	176,742	450	181,108	383
Current financial liabilities		3,762		3,564	
Current portion of long-term loans		0		0	
Total current financial liabilities	28	3,762		3,564	
Total current liabilities		221,668		227,037	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		967,129		977,767	

(*) Restated for the review of PPA – Purchase Price Allocation of Cogemat - see Note 4 “Business combinations”.

SNAI Group – Condensed Consolidated Statement of Changes in shareholders' Equity for the six months ended June 30, 2016 and 2015

(thousands of Euro)

	Not e	Share capital	Legal reserve	Share premium reserve	Cash flow hedge reserve	Reserve for the remeasurment of employee termination indemnities (IAS 19)	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Shareholders' equity attributable to equity holders of the Parent Company	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as of January 1, 2015		60,749	1,559	13,946	(2,124)	(720)	0	773	(26,082)	48,101	0	48,101
Loss for the prior year			(1,559)	(13,946)				(10,577)	26,082	0		0
Profit/ for the period	24				1,062	0	(110)		334	334		334
Other comprehensive income/(loss)										952		952
Total comprehensive income/(loss) for the period		0	0	0	1,062	0	(110)	0	334	1,286		1,286
Balance as of June 30, 2015		60,749	0	0	(1,062)	(720)	(110)	(9,804)	334	49,387	0	49,387
	Not e	Share capital	Legal reserve	Share premium reserve	Cash flow hedge reserve	Reserve for the remeasurment of employee termination indemnities (IAS 19)	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Shareholders' equity attributable to equity holders of the Parent Company	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as of January 1, 2016		97,982	0	102,627	0	(849)	(111)	(9,793)	(54,231)	135,625	0	135,625
Loss for the prior year	24		0	(45,677)				(8,554)	54,231	0		0
Loss)for the period	25				0		0	17	(396)	(396)		(396)
Other comprehensive profit/(loss)										17		17
Total Profit/(Loss) for the period		0	0	0	0	0	0	17	(396)	(379)		(379)
Balance as of June 30, 2016		97,982	0	56,950	0	(849)	(111)	(18,330)	(396)	135,246	0	135,246

SNAI Group – Condensed Consolidated Cash Flow Statement for the six months ended June 30, 2016 and 2015

<i>thousands of Euro</i>	Note	For the six months ended June 30, 2016	of which Related Parties (note 34)	For the six months ended June 30, 2015	of which Related Parties (note 34)
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit (loss) for the period attributable to equity holders of the Parent Company		(396)		334	
Profit (loss) for the period attributable to equity non-controlling interests		0		0	
Amortisation and depreciation	12	27,241		28,618	
Net change in deferred tax assets and liabilities	18	6,002		3,842	
Change in provision for risks and charges	29	(6,254)		(240)	
(Gains)/loss on disposal of non-current assets		142		9	
Share of profit/(losses) of associates	13	5		(55)	
Net change in non-current assets and liabilities	21.-30	(1,449)		343	
Net change in current trade assets and liabilities and other changes	19-20-21-30-31	13,444	37	7,389	(296)
Net change in employee termination indemnities	27	35		640	
CASH FLOW FROM OPERATING ACTIVITIES (A)		38,770		40,880	
B. CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment	15	(3,964)		(6,603)	
Investments in intangible assets	16	(9,142)		(8,578)	
Acquisition of shareholdings in subsidiaries, net of acquired cash and cash equivalents	18	0		(84)	
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		234		84	
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(12,872)		(15,181)	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Change in financial receivables and other financial assets	22	3,124		(695)	
Change in financial liabilities	28	2,175		2,338	
Repayment of loans	28	0		(20,000)	
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		5,299		(18,357)	
CASH FLOWS FROM ASSETS CLASSIFIED AS HELD FOR SALE (D)					
E. CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		31,197		7,342	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
F. PERIOD		107,588		68,629	
EFFECT OF THE EXCHANGE RATES ON CASH AND EQUIVALENTS					
G. EQUIVALENTS					
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD					
H. (E+F+G)	23	138,785		75,971	
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM DEBTS AT THE BEGINNING OF THE PERIOD					
Cash and cash equivalents		107,588		68,629	
Bank overdrafts		0		0	
Discontinued operations		0		0	
		107,588		68,629	
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM DEBTS AT THE END OF THE PERIOD					
Cash and cash equivalents		138,785		75,971	
Bank overdrafts		0		0	
Discontinued operations		0		0	
		138,785		75,971	

Interest paid for the six months ended June 30, 2016 amounted to around Euro 26,028 thousand (Euro 22,981 thousand for the six months ended June 30, 2015).

Taxes paid for the six months ended June 30, 2016 amounted to around Euro 113 thousand (Euro 2,882 thousand during for the six months ended June 30, 2015).

FINANCIAL STATEMENTS AS OF JUNE 30, 2016

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2016

1. Relevant accounting standards

Scope of consolidation

SNAI S.p.A. (hereinafter also referred to as the “**Company**”, the “**Parent Company**” or “**Snai**”) has its registered office at Via Luigi Boccherini, 39 Porcari (LU) - Italy. Schedule 1 sets forth the composition of the SNAI Group as of June 30, 2016.

The condensed consolidated interim financial statements as of and for the six months ended June 30, 2016 (the “**Condensed Consolidated Interim Financial Statements**”) comprise the financial statements of SNAI S.p.A. and its subsidiaries as reported below (the “**Snai Group**”), which are consolidated on a line-by-line basis:

- Società Trenno S.r.l. Sole quotaholder
- Teleippica S.r.l. Sole quotaholder
- SNAI Rete Italia S.r.l. Sole quotaholder
- Finscom S.r.l.
- Cogemat S.p.A.
- Cogetech S.p.A.
- Cogetech Gaming S.r.l.
- Azzurro Gaming S.p.A.
- Fondazione IziLove Foundation

The scope of consolidation is unchanged with respect to December 31, 2015.

The scope of consolidation changed, with respect to June 30, 2015, in so far as:

- SNAI Rete Italia S.r.l. signed the lease agreement (and subsequent transfer agreement) of the company of S.I.S. on July 7, 2015, effective on July 22, 2015. By virtue of the above, in the six months ended June 30, 2015, fifty-four shops were reopened;
- on November 19, 2015, SNAI S.p.A. acquired 100% of the share capital of Cogemat S.p.A: through the increase of the capital, which is instrumental to the transfer of the capital of the latter. Cogemat S.p.A. owns 100% of the share capital of Cogetech Gaming S.r.l., Cogetech S.p.A. and Fondazione IziLove Foundation. Cogetech S.p.A. owns 100% of the share capital of Azzurro Gaming S.p.A. (the “**Cogemat Group**”).

The comparability of the Condensed Consolidated Interim Financial Statements with the financial statements of the previous year is therefore affected by the effects of the aforesaid business combinations.

The financial statements of the companies included in the scope of consolidation are duly reclassified and adjusted in order to be consistent with the IFRS accounting standards and valuation criteria applied by the Parent Company. They have been approved by the respective management bodies.

The Condensed Consolidated Interim Financial Statements were approved by the directors of the Parent Company during the board of directors’ meeting held on August 5, 2016 and authorized for publication as provided by law.

Seasonality

With respect to seasonality, the Group’s business is not subject to significant fluctuations, although it should be considered that the number of sports events, in particular football matches, for which bets are accepted, is higher in the first and fourth quarters than in other quarters of the year.

1.1. Directors’ assessments on going concern assumptions

The financial position and operating results of the SNAI Group are characterised by: (i) negative results, partly due to outside factors, as well as significant changes in amortisation/depreciation and financial expenses, (ii) significant intangible assets compared to shareholders’ equity, which decreased further due to the losses incurred, and (iii) high level of indebtedness, with cash flows available for its reduction limited by the absorption of liquidity required by the investments that are typical of the business, and by financial expenses.

With particular reference to the six months ended June 30, 2016, the Directors highlight that the Group reported a net loss of Euro 0.4 million. Net financial indebtedness, equal to Euro 440.1 million, is mainly composed of bond loans issued and subscribed on December 4, 2013 (Euro 320 million and Euro 160 million) and on July 28, 2015 (Euro 110 million), to be repaid in 2018.

The Directors highlight that the results for the six months ended June 30, 2016, were a net loss of Euro 0.4 million, compared to a net profit of Euro 0.3 million for the previous period, including the positive effect of the Barcrest transaction recognised in the first quarter of 2015. The Directors also report that results are better than expected, mainly due to the following factors: i) revenues and margins resulting from the on-line division due to higher wagers, ii)

revenues and margins of the AWP business thanks to a timelier replacement of cards, which in reality mitigated the impact of the increase in the PREU; iii) reduction of certain overheads due to the acquisition of the Cogemat Group.

Moreover, the Directors reported that the acquisition of the Cogemat Group, which was completed on November 19, 2015, allowed for the share capital increase in 2015, for an amount of Euro 37.2 million and more generally the increase in shareholders' equity, in the amount of Euro 140 million. By virtue of the same transaction, the shareholders' equity as of June 30, 2016 amounted to Euro 135.2 million, compared to Euro 135.6 million as of December 31, 2015. In addition to the effects on shareholders' equity and indebtedness, the Directors underline that the three extraordinary transactions in 2015 (Cogemat, S.I.S. and Finscom) resulted in changes to the scope of consolidation, of the SNAI Group, characterised by:

- a wider and deeper presence at local level (63 new owned sales points, disseminated throughout Italy) and a total network with an additional 185 shops and corners of the network of the Cogemat Group;
- a higher market share in the Gaming Machines segment (second operator at domestic level, with over 15% of market share);
- a more balanced profitability amid the various components resulting from Gaming Machines and
- a minor portion of EBITDA, which is affected by the oscillation of payout on betting.

Within this context, there are still uncertainties, some of which beyond the exclusive power of Directors, connected with uncertainty of successful future events and with the features of the reference market. These uncertainties might affect margins and the Group's future refinancing capacity.

Therefore, the SNAI Group's ongoing perspective is affected by the following factors:

- Renewal of concessions for the network of sales points for betting, with expiration date of June 30, 2016. Given the non-publication of the selection procedure and the near expiry of concessions, with notice no. 54917 dated June 9, 2016, the Italian gaming regulatory authority (the "Agenzia delle Dogane e dei Monopoli" or the ADM) – in order to ensure the continuation of the collection of public gaming in the greater interests of public order, taxation and employment protection – approved the continuation of this activity until the publication of the tender for all participants that formally took part in this tender by June 30, 2016, while supporting this commitment with special guarantees (or the extension of those already in force) for all the obligations created on a continuous basis for the entire duration of the concession (June 30, 2017) and for the period of compulsory management, as well as for an additional one year term (June 30, 2018). This solution is in order to guarantee that the public service of wagers of public gaming machines will not be interrupted, in the interest of public order, taxation and safeguard of employment. SNAI S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l., formally and promptly expressed their willingness to carry on wagers through the completion and deposit of the special scheme, together with the required guarantees. The Company aims at renewing its concessions in the field of bets as this plays an important role in its business. Based on information available today on the characteristics of the tender related to betting, as set out by 2016 Stability Law, the Company deems that the Group will be eligible to obtain the renewal of the concessions currently managed.
During 2015, the ADM sent a number of notices to the Company with regards to the non-compliance with respect to certain required equity ratios, as provided for by the concession agreements themselves. The agreements set out that the concession holders should maintain "equity soundness requirements" in the form of ratios which, not complied with over a prolonged period of time, would result in a procedure related to the expiration or revocation of concessions themselves. Supported by (i) the fact that as of December 31, 2015 the ratio deemed as the most important (net indebtedness/shareholders' equity ratio) was fulfilled, (ii) a legal opinion which assessed that the risk of an expiration proceeding of concessions is unlikely and (iii) the written confirmation by the ADM that the proceeding started is only for monitoring purposes, the Directors believe that there are no risks resulting from the unfulfillment of the capital ratios that might affect the maintenance or renewal of concessions.
- The SNAI Group's capacity to generate adequate cash flows. The Directors deem that SNAI's consolidated Business Plan (approved on March 12, 2015) contains forecasts that are no longer updated by reason of the acquisition of the Cogemat Group and the new macro-economic and regulatory environment in which the SNAI Group operates. While compiling the new consolidated Business Plan, on April 21, 2016, the Directors approved the guidelines of corporate estimates for 2016-2019 ("2016-2019 Guidelines"), based on which the main evaluations were made for the 2015 financial statements.

The new Business Plan that will result is currently being completed as estimates have to be fine-tuned with respect to scenarios that are still being defined, like (i) estimates on timing and investments connected with the tender for new concessions on the network of betting sales points, due on June 30, 2016, and extended until the publication of the tender as stated above, (ii) further savings that are expected from the Cogemat acquisition and (iii) benefits from the reorganization of the network of shops owned by the Finscom and former S.I.S. network.

Based on estimates contained in the Guidelines, the SNAI Group deems it appropriate to focus on the growth in wagers over the next few years (this will result in increased revenue and margin) through a number of initiatives including an increased on-line offer and an increased offer related to virtual events.

In addition to the above, benefits are expected in terms of reduced operating costs and optimization of investments resulting from the acquisition of the Cogemat Group, as well as from wagers connected with the re-opening of 63 S.I.S./Finscom sales points. Moreover, the combined effects of novelties, introduced in the Gaming Machines

segment by the 2016 Stability Law, will have a limited impact on the SNAI Group's margins in 2016 and substantially no impact with respect to a progressive reduction in payout permitted for Gaming Machines (AWPs).

Lastly, the 2016-2019 Guidelines reflect the reduction of amortisation/depreciation and financial expenses due to (i) the renewal of concessions for the network of betting sales points due on June 30 2016, and currently benefiting from an extension in term until the publication of the tender, as already stated, with an estimated investment based on indications set out by the 2016 Stability Law that are significantly lower than the historical cost currently recognised in the financial statements and (ii) the use of cash resulting from corporate future performance for the partial reimbursement of the Group's indebtedness.

Within this context, uncertainties connected with the Company's performance should decrease by effect of the new product mix of the Group, which will see an increase in importance of gaming machines, a possible improvement of payout on sports bets, thanks to new management agreements that better align the interests of the network with SNAI's interests and the new taxation on betting, which is calculated on margin and no longer on wagers, thus reducing the tax burden in the event of particularly unfavourable payouts.

- The Group's ability to refund loans upon maturity, or to refinance its indebtedness. Taking into account the above, the SNAI Group believes that it will be able to achieve a progressively improving result, thus generating adequate operating cash flows to support the investments that are required to develop its business and to partially redeem/refinance loans in place, also through the issue of new financial instruments. Moreover, taking into account the relevant indebtedness of the SNAI Group and the negative results reported in prior years, as well as the uncertainty connected with the reference market, it should be underlined that the non-renewal of a significant portion of the current rights and/or non-generation of profit and adequate cash flows and/or the non-redemption, upon maturity, of loans in place, or their refinancing, might affect the going-concern basis of the Company, unless additional capital resources and/or credit lines are secured.

Taking into account the above, the Directors believe that targets set out in the 2016-2019 Guidelines are reasonable and that, albeit in the presence of the foregoing uncertainties, the Group has the capacity to continue its business operations in the near future, and therefore have prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

However, the Directors acknowledged the necessity to carry out a careful and constant monitoring of results, in order to timely assess any further factors that might have a negative impact on the Company's performance, thus affecting the current and future years and, in general, the achievement of an economic, equity and financial balance.

1.2. Accounting standards

(a) General principles

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements, do not disclose all information required for the preparation of the annual consolidated financial statements. For this reason, the Condensed Consolidated Interim Financial Statements should be read together with the consolidated financial statements as of December 31, 2015.

The accounting standards adopted in the preparation of these Consolidated Interim Financial Statements are consistent with those used to prepare the consolidated financial statements as of December 31, 2015, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, as described below. The adoption of these amendments and interpretations had no significant impact upon the Group's financial position and economic performance.

The term IFRS also refers to the revised international financial reporting standards and 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.

The Condensed Consolidated Interim Financial Statements are expressed in thousands of Euro, unless stated otherwise.

Amendments to the new standards and interpretations applied as from January 1, 2016

In accordance IAS 8, the IFRSs that have come into force since January 1, 2016 and applied by the Group are summarized below.

Various amendments to the standards were applied for the first time in 2016 and had no impact on this Condensed Consolidated Interim Financial Statements.

Amendments to IFRS 11 - Joint Arrangements: Acquisition of an interest

The amendments to IFRS 11 envisage that a joint operator, who reports the acquisition of an interest in a joint control contract in which the activity of the joint operation constitutes a business, should apply the principles as defined in IFRS 3 on the basis of the business combinations guidance. The amendments clarify that, in the event a joint control is maintained, the interest previously held in a joint-control agreement shall not be re-measured upon the acquisition of another interest. Moreover, for clarification purposes, the following was excluded from scope of the IFRS 11. Amendments are not applicable when the parties in a joint control, including the entity that prepares the financial statements, are subject to the control of the same ultimate controlling entity. Amendments are applicable to both the

acquisition of the initial interest in a joint-control agreement, and the acquisition of any further interest in the same joint-control agreement. No impact on the Group was reported for the application of these amendments.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments clarify the principle included in IAS 16 and IAS 38: revenues reflect a model of economic benefits generated by the management of a business (in which the asset is embodied), rather than the consumption of the economic benefits when an asset is used. As a result, a method based on revenues cannot be used for depreciation of real estate properties or plant and machinery and may only be used in limited circumstances when amortising intangible assets. No impact on the Group was reported while applying these amendments, given that the Group does not use revenue-based methods for the amortisation/depreciation of non-current assets.

Amendments to IAS 1: use of judgement in disclosures related to the financial statements

On December 18, 2015, the EU regulation no. 2015/2406 was issued to endorse, at EU level, some amendments to IAS 1 (Presentation of Financial Statements) - Disclosure Initiative.

In particular, the amendments, within a wider improvement initiative related to presentation and disclosure of financial statements, include updates in the following sections:

- materiality: it is specified that the concept of materiality is applied to the entire financial statements and the provision of immaterial information may obscure useful information;
- disaggregation and subtotals: it is clarified that the specific items of the separate income statement, the statement of comprehensive income and the statement of financial position may be disaggregated. Moreover, new requirements in the use of subtotals were introduced;
- disclosure framework: it is specified that companies have a certain degree of flexibility with regards to the presentation order of notes to the accounts. Understandability and comparability should be considered when determining the order of the notes.
- shareholdings measured at equity: the portion of other items in the statement of comprehensive income related to equity investments in affiliates and joint ventures measured with the equity method should be divided between the reclassifiable portion and the portion that is not reclassifiable in the separate income statement.

No impact on the Group was reported for the application of these amendments.

Amendments to IAS 27: The equity method in separate financial statements

The amendments will reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and affiliates in an entity's separate financial statements. Entities that are already applying the IFRS standards and elect to modify the accounting principles by adopting the equity method to their separate financial statements should apply the amendment retrospectively. In the event of first-time adoption of IFRSs, the entity that elects to adopt the equity methods in the separate financial statements should apply this standard at the transition date to IFRS. No impact on the Group was reported for the application of these amendments.

Annual cycle of IFRS improvements - 2012-2014

Improvements are effective on or after January 1, 2016 and relate to the following issues:

IFRS 5: Guideline to changes in methods of disposal;

IFRS 7: Further guideline to service agreements and applicability of IFRS7 to interim financial statements;

IAS 19: Clarification on the discount rate;

IAS 34: Clarification on the meaning of "in other sections of the interim financial statements". The amendment clarifies that information included in the interim financial statements can be supplemented by other information available, even if included in other sections of the Interim Report (e.g. Interim Report on Operations), through incorporation by cross-reference.

Amendments, new standards and interpretations effective for the periods after January 1, 2016 and not yet endorsed by EU

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: application of the exception to consolidation

The amendment clarifies the critical issues resulting from the application of the exception to consolidation envisaged for the investment entities. The new standards will be applied after the endorsement of amendments to the standards by the European Union, which was still missing at the reporting date of these condensed consolidated interim financial statements.

Amendments to IAS 12 (Income taxes) - Recognition of deferred tax assets on unrealised losses

Amendments to IAS 7 (Consolidated and Separate Financial Statements) - Disclosure Initiative

IFRS 9 (Financial Instruments)

IFRS 15 (Revenue from Contracts with Customers, including the related amendments)

IFRS 16 (Leases)

Amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures): Sale or Contribution of Assets between an Investor and its Affiliate/Joint Venture

Clarification to IFRS 15 (Revenue from Contracts with Customers)

Amendments to IFRS 2 (Classification and measurement of share-based payments)

The reporting format adopted by the SNAI Group for the six months ended June 30, 2016 is unchanged with respect to that adopted for the year ended December 31, 2015.

SNAI Group: Condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2016

The Group has not opted for an early adoption of any standard, interpretation or improvement issued, but not yet in effect.

Reporting format of the Financial Statements

The format adopted by the Group is the following:

Consolidated Consolidate Statement of Financial Position

The consolidated statement of financial position present separately current and non-current assets and current and non-current liabilities and, for each asset and liability item, the disclosed amounts are those expected to be settled or recovered within or after 12 months from the reporting date.

Condensed Consolidated Statement of Comprehensive Income

The condensed consolidated statement of comprehensive income classifies cost and revenues by nature, as it considered more representative of the Group's activities.

Condensed Consolidated Statement of Changes in Shareholders' Equity

The condensed consolidated statement of changes in shareholders' equity presents the net results for the period, and the effects, on each item of shareholders' equity, of changes in accounting standards and corrections of errors as required by IAS 8. In addition, it shows the balance of retained earnings and losses at the beginning of the period, the movements during the period and the balances at the end of the period.

Condensed Consolidated Cash Flow Statement

The condensed consolidated cash flow statement shows the cash flows deriving from operating, investing and financing activities of the period. The cash flows from operating activities of the period are presented using the indirect method, whereby the net result for the year or the period is adjusted for the effects of operations of a non-monetary nature, for any deferral of accrual of previous or future operating cash collections or payments, and for elements of revenues or costs related to cash flows deriving from investing or financing activities.

It is worth noting that, in order to provide the reader with better comparability of information, the disclosure of some data related to the comparative periods presented was changed.

In particular, with respect to disclosures in the condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2015, the following items were reclassified to improve disclosure of items in the Income Statement:

- from item "Revenue from sales and services" to item "Other revenue and income", in the amount of Euro 90 thousand, mainly related to revenues from organisation and technology sales;
- from item "Costs of third-party services and leasing/rental expenses" to item "Other operating costs", in the amount of Euro 36 thousand, related to the urban waste tax.

With respect to disclosures in the consolidated financial statements as of December 31, 2015, the net balance of deferred tax assets/liabilities was disclosed by reclassifying Euro 70,937 thousand under Deferred tax assets, previously disclosed under Deferred tax liabilities. Moreover, Euro 3,017 thousand were reclassified from item "Other assets" to item "Other liabilities" in order to disclose tax payables net of IRAP down payments.

2. Agreements for services licensed

The SNAI Group operates in the market for the collection of gaming and betting wagers, which include mainly sports and horse racing bets, lawful gaming through AWP (formerly known as new slots) and through VLTs (videolotteries) as well as on-line skill, bingo and casino games. The market is regulated by the Italian government authorities which issue concessions.

The SNAI Group is the holder of the following concessions:

Owner	Qty	Subject matter	Expiry date
SNAI S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. (Consolidated Text of Public Safety Laws), as per Royal Decree no. 773 of June 18, 1931 and following amendments and supplements, as well as related activities and functions.	March 2022
SNAI S.p.A.	1 Concession Code 4311	Operation of public gaming on horse racing, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof.	June 2016
SNAI S.p.A.	1 Concession Code 4028	Operation of public gaming on events other than horse racing, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof.	June 2016

SNAI S.p.A.	1 Concession Code 4801	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof.	June 2016
SNAI S.p.A.	1 Concession Code 15215	Operation through the on-line wagers of the following games: a) sports betting; b) horse racing betting; c) horse racing and sports betting pools; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	September 2020
SNAI S.p.A.	1 Concession Code 4501*	Operation of horse racing and sports public games as per Art. 10, par. 9- octies, of the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012.	June 2016
COGETECH S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. (Consolidated Text of Public Safety Laws), as per Royal Decree no. 773 of June 18, 1931 and following amendments and supplements, as well as related activities and functions.	March 2022
COGETECH S.p.A.	1 Concession Code 4304	Operation of public gaming on horse racing, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof.	June 2016
COGETECH S.p.A.	1 Concession Code 4011	Operation of public gaming on events other than horse racing, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof.	June 2016
COGETECH S.p.A.	1 Concession Code 4843	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof.	June 2016
COGETECH S.p.A.	1 Concession Code 15113	Operation through the on-line wagers of the following games: a) sports betting; b) horse racing betting; c) horse racing and sports betting pools; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4319	Operation of public gaming on horse racing, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof.	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4052	Operation of public gaming on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof.	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4804	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof.	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4505*	Operation of horse racing and sports public games as per Art. 10, par. 9- octies, of the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012.	June 2016

* SNAI S.p.A. and Cogetech Gaming S.r.l. adhered to the proceeding envisaged by Law 190 of December 23, 2014 (2015 Stability Law) with regards to the tax regularisation of operating "CTDs" as of October 30, 2014. This resulted in the widening of the physical collection network with a certain number of additional shops, former "CTDs" that are now regularised.

With regards to the aforesaid concessions on bets, which expire in June 2016, the 2016 Stability Law set out the renewal within the year through the above-mentioned modalities, described in par. 932.

Paragraph 932 sets out that on May 1, the selection proceeding would be started to award, for the next nine years, concessions for the wagers of sports bets and horse racing bets (the relevant concessions expire on June 30, 2016 and the law sets out that they will continue to operate - through technical extension - until signature of the new conventions), for a total amount of 15,000 rights, divided as follows:

- 10,000 special gaming shops (tender base of Euro 32,000);
- 5,000 gaming corners, of which 1,000 max in shops selling food and drinks (tender base of Euro 18,000).

Given the non-publication of the selection procedure and the near expiry of concessions, with notice no. 54917 dated June 9, 2016, the Italian gaming regulatory authority (the "Agenzia delle Dogane e dei Monopoli" or the ADM) – in order to ensure the continuation of the collection of public gaming in the greater interests of public order, taxation and employment protection – approved the continuation of this activity until the publication of the tender for all participants that formally took part in this tender by June 30, 2016, while supporting this commitment with special guarantees (or the extension of those already in force) for all the obligations created on a continuous basis for the entire duration of the

concession (June 30, 2017) and for the period of compulsory management, as well as for an additional one year term (June 30, 2018).

SNAI S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l., formally and promptly expressed their willingness to carry on wagers through the completion and deposit of the special scheme, together with the required guarantees.

Some concessions set out that concession holders should maintain “equity soundness requirements” in the form of capital ratios which, if not complied with over a prolonged period of time, would result in a procedure related to the expiration or revocation of concessions. In 2015, the ADM started a monitoring process of SNAI S.p.A. concerning the non-compliance of certain capital ratios. Supported by (i) the fact that as of December 31, 2015 the ratio deemed as the most important (net indebtedness/shareholders’ equity ratio) was complied with, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is unlikely (iii) the written confirmation by ADM that the proceeding started is only for monitoring purposes, the Directors believe that there are no risks resulting from the non-compliance of the capital ratios that might affect the maintenance or renewal of concessions.

3. Operating segments

Segment reporting is presented by “operating segment”. The operating segment is based upon the management structure and the internal reporting system followed by the Group. Intra-segment sales take place at market conditions.

The Group operates in the following main operating segments:

- Betting Collection Services;
- Racecourse Management;
- Concessions;
- Television Services.

Specifically, the Group’s operations have been defined as follows:

- **Betting Collection Services:** this segment includes operations related to electronic services supplied to betting acceptance points. These activities are essentially managed by SNAI S.p.A and Cogetech S.p.A.;
- **Racecourse Management:** this segment includes operations related to the management of the racecourses, including real estate management and organization of races. These activities are managed by Società Trenno S.r.l. and SNAI S.p.A. for the real estate segment;
- **Concessions:** this segment includes operations related to the management of horseracing and sports accepting concessions entrusting the activation and operational management of the networks for the on-line management of legal gaming on gaming machines and related activities and functions (slot machines - AWP and videolottery - VLT), in addition to activities related to skill games, bingo and casino games; these activities are substantially managed by SNAI S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l.;
- **Television Services:** this segment includes operations related to television and radio services. These activities are managed by Teleippica S.r.l.

The following table provides information on the contribution to consolidated figures related to the above-mentioned operations.

The segment results include both directly attributable elements and amounts attributable through a reasonable allocation for both costs that are common to more than one segment, and indirect costs.

Conversely, revenues for the sale of software and technology, those for the set-up of stores and other revenues not included under the four specific business areas are not attributed to the main operating segments. Therefore, the costs related to the above-mentioned revenues, as well as the financial income and expenses not attributable to those four main business areas, are not attributed to specific segments but rather to overall corporate governance.

The “Concessions” segment includes all bets, both fixed-odds (in which the desk/counter is owned by the concession holder) and totalisator bets (where the desk/counter is owned by the Ministry of Finance), accepted in the PAS (punti accettazione scommesse - betting acceptance points) where SNAI S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l. are the direct concession holder.

Risk related to fixed-odds bets is borne by the concession holder since the latter is committed to pay winnings and taxes, while in the case of totalisator bets, no risk is borne by the concession holder since the latter is entitled to receive only a percentage of cash movements.

	Betting Collection Services		Rececourse Management		Concessions		Television Services		Other		Eliminations		Total consolidated	
	As of June 30, 2016	As of December 31, 2015 restated	As of June 30, 2016	As of December 31, 2015 restated	As of June 30, 2016	As of December 31, 2015 restated	As of June 30, 2016	As of December 31, 2015 restated	As of June 30, 2016	As of December 31, 2015 restated	As of June 30, 2016	As of December 31, 2015 restated	As of June 30, 2016	As of December 31, 2015 restated
<i>(thousands of Euro)</i>														
Assets	8,598	7,287	6,302	5,416	333,410	332,954	3,325	3,353	2,629	1,776	0	0	354,264	350,786
Tangible and intangible assets	13,562	13,630	102,637	103,831	472,348	485,529	4,026	3,225	0	0	0	0	592,573	606,215
Unattributable property, plant and equipment and intangible assets														
Investments in associates	0	0	2,492	2,490	0	0	0	0	46	50	0	0	12,639	13,506
Unattributable assets													2,538	2,540
Total Assets	22,160	20,917	111,431	111,737	805,758	818,483	7,351	6,578	2,675	1,826	0	0	967,129	977,767
Liabilities	7,347	6,692	8,995	7,355	788,930	801,164	3,276	2,645	152	703	0	0	808,700	818,559
Unattributable liabilities													23,183	23,583
Total Liabilities	7,347	6,692	8,995	7,355	788,930	801,164	3,276	2,645	152	703	0	0	831,883	842,142
Investments:														
Tangible and intangible assets	336	1,586	722	5,384	9,762	191,146	1,382	545	0	0	0	0	12,202	198,661
Unattributable tangible and intangible assets													904	2,943

For the six months ended June 30, 2016 and 2015

INCOME STATEMENT BY BUSINESS SEGMENT

	Betting Collection Services		Racecourse Management		Concessions		Television Services		Other		Eliminations		Total consolidated	
	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015	For the six months ended June 30, 2016	For the six months ended June 30, 2015
<i>(thousands of Euro)</i>														
Segment revenues	7,824	6,708	4,372	5,351	425,381	266,066	4,571	4,576	269	110	0	0	442,417	282,811
Inter-segment revenues	929	79	140	120	3	4	1,587	1,496	370	258	(3,029)	(1,957)	0	0
Segment costs	(5,503)	(3,739)	(7,539)	(8,135)	(387,888)	(233,451)	(5,720)	(5,648)	176	(313)	3,029	1,957	(403,445)	(249,329)
Results of operations	3,250	3,048	(3,027)	(2,664)	37,496	32,619	438	424	815	55	0	0	38,972	33,482
Quotas of results of operations pertaining to shareholdings	0	0	2	95	0	0	0	0	(7)	(40)	0	0	(5)	55
Financial (cost) and income	(111)	(14)	(11)	(17)	(31,010)	(27,469)	(6)	(23)	0	(57)	0	0	(31,138)	(27,580)
Income tax													(8,225)	(5,623)
Profit/(Loss) for the period													(396)	334
The results of operations include: Amortisation, depreciation and write-downs	(373)	(279)	(1,919)	(1,910)	(24,367)	(25,889)	(581)	(539)	(1)	(1)	0	0	(27,241)	(28,618)

For the three months ended June 30, 2016 and 2015

INCOME STATEMENT BY BUSINESS SEGMENT

	Betting Collection Services		Rececourse Management		Concessions		Television Services		Other		Eliminations		Total consolidated	
	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the three months ended June 30, 2016	For the three months ended June 30, 2015	For the three months ended June 30, 2016	As of June 30, 2015	As of June 30, 2016	As of June 30, 2015	As of June 30, 2016	As of June 30, 2015	As of June 30, 2016	As of June 30, 2015
<i>(thousands of Euro)</i>														
Segment revenues	3,797	3,311	2,646	4,108	213,313	116,897	2,284	2,294	182	78	0	0	222,222	126,688
Inter-segment revenues	542	50	79	75	3	0	796	750	22	133	(1,442)	(1,008)	0	0
Segment costs	1,748	1,527	(1,498)	(495)	16,684	272	144	184	526	(120)	0	0	17,604	1,368
Results of operations	0	0	2	95	0	0	0	0	(7)	(40)	0	0	(5)	55
Quotas of results of operations pertaining to shareholdings	(52)	(10)	(2)	(8)	(15,713)	(13,694)	(4)	(5)	0	(57)	0	0	(15,771)	(13,774)
Financial (cost) and income													(3,832)	1,249
Income tax													(2,004)	(11,102)
Profit/(Loss) for the period	(155)	(139)	(960)	(965)	(8,689)	(13,038)	(321)	(272)	0	0	0	0	(10,125)	(14,414)

During the six months ended June 30, 2016:

- the operating result of the "Concessions" segment is better than the result reported in the same period of 2015, thanks to the combined effect of: i) positive effects on all products resulting from the acquisition of the Cogemat Group; ii) contribution of the 54 shops of S.I.S. S.r.l. in liquidation, which were closed during the six-month period of 2015, and partial contribution for the 8 shops of Finscom S.r.l., which were re-opened in April 2015; iii) increase in revenues from sports betting, compared to the previous year due to both higher wagers and the positive effect of the flat-rate tax; iv) improved revenues and margins for skill games; v) positive effect from the Barcrest transaction in the first quarter of 2015; vi) excellent performance of VLT.
- the operating results of the Racecourse Management segment decreased as a result of changes in the convention with MIPAAF (Ministry of Agriculture, Foodstuff and Forestry Policies), partially offset by a closer control over operating costs.

4. Business combination

As of December 31, 2015, the Purchase Price Allocation (PPA) of Cogemat S.p.A. was accounted for using provisional amounts, and still remains provisional, as permitted by IFRS 3, for the twelve months after the transaction and, upon completion of the measurement process, it will be possible to adjust, with retroactive effect, amounts of acquired assets and liabilities to take account of their fair value at the acquisition date, with consequent re-measurement of goodwill.

On June 23, 2016, AAMS informed Cogetech S.p.A. of the amount due by the latter for consistency assessments of the gaming systems and machines VTL for the 2013-2015 three-year period, equal to Euro 439 thousand. Therefore, goodwill recorded as of December 31, 2015 was adjusted by Euro 318 thousand, net of the related tax effect. For further details, see Note 16.

On September 30, 2015, SNAI S.p.A. ("SNAI") signed an agreement for the acquisition from OI Games 2 S.A. of the entire share capital of Cogemat S.p.A. ("Cogemat"). The acquisition was carried out through the transfer, into SNAI share capital, of the shareholding held in Cogemat by OI Games 2 S.A. (equally owned (50%) by OI Games S.A. and International Entertainment S.A.).

For this conferral, SNAI issued new shares for a total value of Euro 140 million. After this transaction, the previous shareholders of Cogemat obtained a shareholding consisting of 71,602,410 newly issued SNAI shares (38% of SNAI share capital after the share capital increase, instrumental to the transfer).

For the purposes of allocating the fees related to the transaction, pursuant to the IFRS 3 - Business Combinations, SNAI provided for the identification and measurement at fair value of the assets of the acquired company, with the support of an independent external consultant. In the preliminary analysis, the commercial network is identified as the only asset to be written-up. During the years, in fact, Cogemat has built a sound customer portfolio. The commercial network is based on customers with whom the Company signed agreements for the use of AAMS licenses. In particular, Cogemat allows operators, disseminated through Italy, to use the AAMS licenses related to betting. These licenses, owned by Cogemat, are granted for use to operators together with electronic machines, through which bets are placed, against the payment of fees proportionate to the type of machines (VLTs or AWP) and bets. The multi-period excess earning method was used to estimate the fair value of Cogemat's commercial network.

With respect to this acquisition, the fair value of assets acquired and liabilities assumed, as well as the residual value allocated to goodwill, are still not final at the reporting date of the Condensed Consolidated Interim Financial Statements.

Notes on the main items of the condensed consolidated statement of comprehensive income

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances for the six months ended June 30, 2015.

5. Revenues from sales and services

The amount of revenues from sales and services for the six months ended June 30, 2016, Euro 436,924 thousand (revenues for the six months ended June 30, 2016, include the contribution of the Cogemat Group of Euro 190,614 thousand), over Euro 254,135 thousand reported for the six months ended June 30, 2015, is detailed below:

<i>(thousands of Euro)</i>				<i>(thousands of Euro)</i>		
For the three months ended June 30,				For the three months ended June 30,		
2016	2015	Change		2016	2015	Change
29,883	24,130	5,753	Net revenues from the collection of fixed-odds sports and horse racing betting	68,604	51,026	17,578
4,700	4,398	302	Revenues from totalisator, national horse racing/sports forecast bets	9,908	9,167	741
159,636	73,846	85,790	Revenues from Gaming Machines	307,304	149,091	158,213
5,272	4,334	938	Net revenues from on-line games (Skill/Casino/Bingo)	11,349	8,970	2,379
1,134	904	230	Revenues from betting collection services	2,420	1,949	471
9,962	8,535	1,427	Revenues from virtual events	20,935	17,649	3,286
724	750	(26)	Revenues from virtual event services	1,495	1,572	(77)
993	822	171	Revenues from commissions	1,771	1,658	113
1,025	1,179	(154)	Revenues from service and assistance contracts	2,096	2,362	(266)
1,585	3,213	(1,628)	Revenues from the operation of betting services at racecourses	2,644	4,012	(1,368)
342	359	(17)	Management of racecourse and real estate properties	630	610	20
2,630	2,562	68	Revenues from television services and related services	5,037	4,865	172
1,107	686	421	Other services and sales to third parties	2,731	1,204	1,527
218,993	125,718	93,275	Total	436,924	254,135	182,789

Set forth below are details on the item "Net revenues from the collection of fixed-odds and reference sports and horse racing betting", indicating items stating winnings, refunds/reimbursements and taxes.

<i>(thousands of Euro)</i>				<i>(thousands of Euro)</i>	
For the three months ended June 30,				For the six months ended June 30,	
2016	2015			2016	2015
248,267	164,930		Turnover from Fixed-odds Sports Betting	507,483	357,602
(91)	(73)		Reimbursement of Fixed-odds Sports Betting	(239)	(287)
(212,153)	(135,034)		Winnings of Fixed-odds Sports Betting	(424,106)	(293,640)
(6,959)	(6,223)		Single Tax on Fixed-odds Sports	(15,970)	(13,832)
29,064	23,600		Net Revenues from the collection of Fixed-odds Sports Betting	67,168	49,843
10,953	7,890		Turnover from Fixed-odds Horse Racing Bets and Reference Horse Racing Bets	20,640	14,819
(76)	(44)		Reimbursements of Fixed-odds Horse Racing and Reference Horse Racing	(149)	(80)
(8,687)	(6,345)		Winnings on Fixed-odds Horse Racing and Reference Horse Racing	(16,467)	(11,737)
(451)	(319)		Single Tax on Fixed-odds Horse Racing and Reference Horse Racing	(851)	(598)
(920)	(652)		Taxation on Horse Racing	(1,737)	(1,221)
819	530		Net Revenues from the collection of Fixed-odds Horse Racing Betting	1,436	1,183
29,883	24,130		Total net Revenues from the collection of Fixed-odds Sports and Horse Racing Betting	68,604	51,026

Net revenues from sports betting increased, compared to amounts reported for the six months ended June 30, 2015, due to higher wagers resulting from the acquisition of the Cogemat Group, the availability of 62 sales points owned by the companies S.I.S. S.r.l. and Finscom S.r.l. that were closed in the first 8 months of the previous year due to the financial situation of these companies, as well as the growth in the on-line gaming segment, partially offset by a higher payout. For the six months ended June 30, 2016, the payout on sports betting, including the amounts recognised as bonuses, amounted to approximately 83.6% compared to 82.2% in the same period of previous year. The above-mentioned revenues included Euro 5,661 thousand, which are related to the consolidation of the Cogemat Group.

Revenue from the concessions for the management of the network of the gaming machines (ADI) amounted to a total of Euro 307,304 thousand in the six months ended June 30, 2016 (of which Euro 179,265 thousand, attributable to the consolidation of the Cogemat Group), which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item "Costs for services and the use of third party assets". The concession holders are required to pay to the ADM (pursuant to the Law Decree no. 95 of July 6, 2012. Since December 1, 2012, the Customs incorporated the the ADM office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency), an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The receivable, equal to Euro 18,997 thousand is related to the "Guarantee deposits of gaming machines", paid in the six months ended June 30, 2016 (see Note 21), of which Euro 7,667 thousand related to SNAI S.p.A. and Euro 11,330 thousand related to Cogetech S.p.A.. The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved.

Revenues from on-line gaming, Euro 11,349 thousand, include Euro 424 thousand related to the consolidation of the Cogemat Group and are detailed below:

(thousands of Euro)

For the three months ended June 30,			For the six months ended June,	
2016	2015		2016	2015
210,304	164,759	On-line Skill and Casino Games	443,225	348,257
(203,524)	(159,092)	Winnings	(428,594)	(336,510)
(1,508)	(1,333)	Single Tax	(3,282)	(2,777)
5,272	4,334	Net revenues from on-line games (Skill/Casino/Bingo)	11,349	8,970

Revenues from virtual events, Euro 20,935 thousand, include Euro 2,252 thousand related to the consolidation of the Cogemat Group and are detailed below:

(thousands of Euro)

For the three months ended June 30,		For the six months ended June 30,		
2016	2015	2016	2015	
78,075	63,150	Revenues from virtual events	162,217	131,265
(65,564)	(52,447)	Winnings and reimbursements of virtual events	(135,939)	(109,158)
(2,550)	(2,168)	Flat-rate tax on virtual events	(5,344)	(4,458)
9,962	8,535	Total net revenues from virtual events	20,935	17,649

The item "Revenues from television services and related services" includes mainly revenues deriving from the agreement entered into by the subsidiary Teleippica S.r.l. with MIPAAF for the television broadcasting of horse races at the points of acceptance of horse racing betting.

6. Other revenue and income

Other revenue and income, of Euro 5,493 thousand in the six months ended June 30, 2016 (Euro 28,676 thousand in the six months ended June 30, 2015) are detailed below:

(thousands of Euro)

For the three months ended June 30,				For the six months ended June 30,		
2016	2015	Change		2016	2015	Change
35	38	-3	Lease of assets and chargeback of ancillary expense	71	79	(8)
2,489	658	1,831	Active trading	4,229	28,132	(23,903)
15	2	13	Revenue from compensation and reimbursement for damages	90	3	87
14	14	0	Grants to UNIRE investments fund	27	27	0
3	25	-22	Capital gain from the sale of assets	11	40	(29)
47	47	0	Revenues from organisation and technology sales	98	81	17
626	186	440	Other revenue and income	967	314	653
3,229	970	2,259	Total	5,493	28,676	(23,183)

The change in active trading, of Euro 23,903 thousand, is mainly due to the transaction concluded on February 19, 2015 between SNAI., on the one side, and the Barcrest Group Limited and The Global Draw Limited, with their subsidiary Scientific Games Corporation, on the other side.

7. Raw materials and consumables

The cost of raw materials and consumables of Euro 416 thousand for the six months ended June 30, 2016 (Euro 301 thousand in the six months ended June 30, 2015), mainly related to materials used in bet collections, technology and the furnishings installed in the new points of sale.

8. Costs for services and use of third party assets

Costs for services and use of third party assets of Euro 318,738 thousand for the six months ended June 30, 2016 (Euro 181,666 thousand for six months ended June 30, 2015), include Euro 153,508 thousand of the Cogemat Group, as broken down below:

(thousands of Euro)

For the three months ended June 30,				For the six months ended June 30,		
2016	2015	Change		2016	2015	Change
17,003	14,924	2,079	Betting acceptance management	36,087	32,310	3,777
123,491	56,609	66,882	Gaming Machine services	233,122	113,347	119,775
1,405	1,077	328	On-line games management (Skill/Casino/Bingo)	2,943	2,185	758
459	425	34	Bookmakers	982	893	89
1,765	1,237	528	On-line gaming services	3,357	2,630	727
3,763	3,527	236	Virtual races management costs	8,285	7,372	913
395	437	(42)	Management of Horse Racecourse	605	575	30
2,033	1,939	94	Television and radio services	3,847	3,816	31
93	96	(3)	Rent of stations	187	192	(5)
2,535	2,002	533	Consultancy cost and expense reimbursements	3,853	3,992	(139)
2,510	1,722	788	Utilities and telephone	5,017	3,539	1,478
2,419	2,011	408	Equipment repair and maintenance	4,713	3,981	732
1,685	822	863	Advertising and promotion	3,751	1,402	2,349
570	201	369	Installations, logistics and design	1,044	374	670
44	61	(17)	Other personnel costs for collaborations and other services	91	199	(108)
559	361	198	Insurance and guarantees	1,144	730	414
65	66	(1)	Market research	86	121	(35)
327	210	117	Marketing materials	691	375	316
1,417	305	1,112	Rental fees and ancillary charges	2,805	505	2,300
674	295	379	Operating leases and other leasing	1,352	570	782
220	156	64	Directors' fees	856	665	191
168	289	(121)	Independent Auditors' fees	322	400	(78)
101	53	48	Statutory Auditors' fees	207	110	97
62	45	17	Regulation authority and other committee's fees	123	90	33
3	3	0	Expense reimbursement to directors and auditors	11	9	2
1,706	650	1,056	Other	3,257	1,284	1,973
165,472	89,523	75,949	Total	318,738	181,666	137,072

SNAI Group: Condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2016

In particular, the table shows:

- the betting acceptance management fees granted to the managers of horse race and sports stores and betting corners increased from Euro 32,310 thousand for the six months ended June 30, 2015 to Euro 36,087 thousand for the six months ended June 30, 2016, including Euro 4,052 thousand of the Cogemat Group;
- Gaming machines services (totalling Euro 233,122 thousand, of which Euro 127,187 thousand of the Cogemat Group, compared to Euro 113,347 thousand for the six months ended June 30, 2015) comprise fees paid to third party operators in charge of gaming collection and costs for operating VLT platforms;
- Virtual races management costs (for Euro 8,285 thousand, of which Euro 969 thousand of the Cogemat Group, compared to Euro 7,372 thousand for the six months ended June 30, 2015) and include the costs related to the operator and the costs for the platform.

The “Other” item mainly comprises no-competition agreement, IT services, surveillance and security services for the transportation of money and valuables, cleaning services, postal and shipping expenses, waste disposal and operating costs of company vehicles.

9. Costs of personnel

Costs of personnel amounted to Euro 30,466 thousand for the six months ended June 30, 2016 compared to Euro 19,756 thousand for the six months ended June 30, 2015, an increase of Euro 10,710 thousand (54.2%) primarily due to the lease of the business unit of S.I.S. S.r.l. in liquidation, , occurred on July 22, 2015, and therefore the bearing of various personnel costs, in addition to the personnel costs resulting from the acquisition of the Cogemat Group.

(thousands of Euro)

For the three months ended June 30, 2016				For the six months ended June 30, 2016		
2016	2015	Change		2016	2015	Change
10,557	6,992	3,565	Salaries and wages	21,110	13,578	7,532
3,134	2,340	794	Social security expenses	6,177	4,313	1,864
724	402	322	Accrual to employee termination indemnities	1,451	781	670
23	11	12	Costs for personnel training	68	24	44
243	162	81	Expense reimbursement to employees	465	289	176
251	212	39	Meal tickets	493	421	72
668	273	395	Other costs of personnel	702	350	352
15,600	10,392	5,208	Total	30,466	19,756	10,710

The item “Accrual to employee termination indemnities” also includes the impact on the income statement resulting from the valuation of the employee termination indemnities in accordance with IAS 19.

The composition of the employees as of June 30, 2016 is illustrated by the following table, which shows a decrease of 5 individuals compared to December 31, 2015, and a significant increase compared to the six months ended June 30, 2015, mainly due to acquisition of the Cogemat Group and the lease of the business unit S.I.S. S.r.l. in liquidation, occurred on July 22, 2015.

As of June 30, 2015		As of December 31, 2015	Increases for the period	Decreases for the period	As of June 30, 2016	Average n. in period
26	Executives	37	1	7	31	33
703	White collar employees and mid-level managers	1,218	61	59	1,220	1,215
63	Blue-collar workers	62	0	1	61	62
792*	Total Employees	1,317 **	62	67	1,312	1,310***

* of whom 188 part-time and 23 on maternity leave

** of whom 349 part-time and 14 on maternity leave

*** of whom 368 part-time and 23 on maternity leave

10. Other operating costs

Other operating costs of Euro 26,884 thousand for the six months ended June 30, 2016 (Euro 19,511 thousand in the six months ended June 30, 2015), including Euro 9,955 thousand related to the Cogemat Group.

(thousands of Euro)

For the three months ended June 30,			For the six months ended June 30,		
2016	2015	Change	2016	2015	Change
7,341	3,908	3,433	15,128	7,796	7,332
0	1,481	(1,481)	0	2,949	(2,949)
78	24	54	84	55	29
1,200	1,347	(147)	2,138	2,306	(168)
945	2,307	(1,362)	2,749	3,359	(610)
354	421	(67)	812	552	260
781	80	701	983	159	824
41	34	7	72	45	27
107	56	51	188	103	85
258	147	111	438	302	136
265	265	0	530	530	0
252	62	190	313	75	238
61	39	22	89	67	22
777	903	(126)	2,118	989	1,129
93	7	86	153	49	104
774	74	700	1,089	175	914
13,327	11,155	2,172	26,884	19,511	7,373

The item "concessions and licenses fees" includes, among other things:

- the concession fee for the legal gaming on gaming machines (ADI) of Euro 11,398 thousand, calculated at 0.30% of the volume wagered and paid to the ADM on a bimonthly basis for the related consolidation months, of which Euro 4,600 thousand related to SNAI S.p.A. and Euro 6,798 thousand related to Cogetech S.p.A.;
- the concession fee for the marketing of public gaming concessions on the rights awarded through the call for tenders in 2006 ("Bersani rights"), the rights awarded through the call for tenders in 2008 ("Giorgetti rights"), and the rights awarded through the call for tenders in 2012 ("Monti rights"), in the amount of Euro 3,009 thousand, of which Euro 2,636 thousand related to SNAI S.p.A. and Euro 373 thousand related to Cogetech S.p.A.;
- the concession fee for remote public gaming, in the amount of Euro 399 thousand, of which Euro 374 thousand related to SNAI S.p.A. and Euro 25 thousand related to Cogetech S.p.A.;
- the television licence fees in the amount of Euro 121 thousand.

The item "Stability Law Cost" is related to the portion of costs, pertaining to the SNAI Group for the year 2015, as envisaged by the Stability Law, which is no longer applied in the current year.

For the six months ended June 30, 2016, an accrual was made to the provision for doubtful debts in the amount of Euro 2,749 thousand in order to align, with their recoverable value, receivables that arose in prior financial years in connection with the Group's core business operations and which showed, over the course of the year, growing difficulties with regards to their collection.

For the six months ended June 30, 2016, an accrual of Euro 983 thousand was made to the provision for risks for technological upgrading, in the amount of Euro 470 thousand, as provided for by the concession agreement for the building and running of networks for the on-line management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. (Consolidated Text of Public Safety Laws), as per the Royal Decree no. 773 of June 18, 1931 and following amendments and supplements, as well as related activities and functions, and in the amount of Euro 513 thousand for future charges related to costs for upgrading of the fire prevention systems.

Non-deductible VAT, of Euro 2,138 thousand, relates to particular operations performed by SNAI S.p.A., Trenno S.r.l., SNAI Rete Italia S.r.l. and Finscom S.r.l., which generate, in part, the revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases.

The companies SNAI S.p.A., and Società Trenno S.r.l. opted for separate activity for VAT purposes, which means that, for purchases related to activities that generate taxable transactions, the VAT is deductible, while the VAT on purchases that generate exempt transactions is entirely non-deductible.

With regards to the VAT on goods and services used indiscriminately by all of the business operations, the VAT is deducted subject to the limits of the portion attributable to the operations which produce taxable revenues to which it refers; therefore, the cost of non-deductible VAT has been calculated using specific allocation criteria.

Losses on settlement of disputes are mainly attributable to the Barcrest issue.

11. Capitalised internal construction costs

Capitalised internal construction costs, of Euro 450 thousand for the six months ended June 30, 2016 (Euro 450 thousand for the six months ended June 30, 2015) are mainly related to software generated internally for:

- IT systems and networking solutions supporting the business lines;
- centralised systems and peripheral terminals for the acceptance of bets, the sale of services, the distribution of information to operators, the display of information, and the management of both the sales points and gaming machines (AWPs and VLTs).
- centralised systems for the management of contacts with the ADM for all product lines under concession;
- management systems and consoles for betting and risks on sales;
- centralised systems, gaming interfaces and integration protocols for on-line wagers.
- integrations with the systems of the Cogemat Group;
- implementation and activation of the new SNAI.it website;
- management systems and consoles for back-office activities.

12. Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs of Euro 27,241 thousand for the six months ended June 30, 2016 (Euro 28,618 thousand for the six months ended June 30, 2015) are detailed below:

(thousands of Euro)

For the three months ended June 30,				For the six months ended June 30,		
2016	2015	Change		2016	2015	Change
5,358	10,055	(4,697)	Amortisation of intangible assets	17,711	20,041	(2,330)
4,767	4,212	555	Depreciation of property, plant and equipment	9,530	8,430	1,100
0	147	(147)	Write-downs	0	147	(147)
10,125	14,414	(4,289)	Total	27,241	28,618	(1,377)

Amortisation and depreciation related to the Cogemat Group for the period were Euro 5,394 thousand and Euro 2,106 thousand, for intangible assets and property, plant and equipment, respectively.

With regards to intangible fixed assets, the useful life of concessions expiring as of June 30, 2016 was reviewed based on the notice 54917 of June 9, 2016, issued by the ADM, which allowed for the continuation of the activities until publication of the tender (i.e. June 30, 2017). For further details see to Note 2.

Further information regarding the above is provided in the Notes 15 and 16, "Property, plant and equipment" and "Intangible assets".

13. Financial income and expenses

For the six months ended June 30, 2016, net financial expenses amounted to Euro 31,143 thousand, up by Euro 3,618 thousand over the six months ended June 30, 2015, as detailed below:

(thousands of Euro)

For the three months ended June 30,				For the six months ended June 30,		
2016	2015	Change		2016	2015	Change
Gains and expenses from shareholdings						
0	121	(121)	Write-up/(write-down) Alfea S.p.A.	0	121	(121)
2	(26)	28	Write-up/(write-down) Hippogroup Roma Capannelle S.p.A.	2	(26)	28
(3)	(40)	37	Write-up/(write-down) Solar S.A.	(3)	(40)	37
(4)	0	(4)	Write-up/(write-down) shareholding in Obiettivo 2016	(4)	0	(4)
(5)	55	(60)		(5)	55	(60)
Financial income						
2	4	(2)	Foreign exchange rate gains	9	4	5
187	273	(86)	Bank interest income	347	570	(223)
(4)	51	(55)	Other interest income	61	92	(31)
185	328	(143)		417	666	(249)
Financial expenses						
0	0	0	Interest expense on loans	0	0	0
14,168	12,228	1,940	Interest expense on bond loan	28,007	24,437	3,570
54	48	6	Other interest expense	82	96	(14)
1	1	0	Bank interest expense	3	1	2
6	7	(1)	Foreign exchange rate losses	7	19	(12)
30	82	(52)	Interest expense and ancillary charges on leasing	55	137	(82)
40	16	24	Interest expense on employee termination indemnities	81	30	51
1,657	1,720	(63)	Other financial expenses	3,320	3,526	(206)
15,956	14,102	1,854		31,555	28,246	3,309
(15,776)	(13,719)	(2,057)	Total	(31,143)	(27,525)	(3,618)

Financial income includes interest income accrued on bank accounts in the amount of Euro 347 thousand and other interest income for Euro 61 thousand mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses mainly include the following:

- expenses and interest on bond loans, calculated in accordance with the depreciated cost method under IAS 39 by applying the effective interest rate on loans amounting to Euro 28,007 thousand of which Euro 2,012 thousand related to ancillary costs. These charges are related, in the amount of Euro 480,000, to bond loans issued on December 4, 2013, in the amount of Euro 1,566 thousand, and, in the amount of Euro 446 thousand, to the bond loan issued on July 28, 2015 for an aggregate amount of Euro 110 thousand (for further details on bond loans, reference is made to Note 28);
- interest expense calculated on financial leasing in the amount of Euro 29 thousand and ancillary charges on leasing for Euro 26 thousand, including non-deductible VAT;
- other financial expenses, including Euro 1,917 thousand of commissions on bank guarantees, Euro 540 thousand of commissions payable on revolving credit line and Euro 755 thousand of bank charges.

14. Income tax

Current income taxes, inclusive of IRES tax and IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded for the six months ended June 30, 2016, were Euro 8,225 thousand.

(thousands of Euro)

For the three months ended June 30,			For the six months ended June 30,	
2016	2015		2016	2015
182	(415)	IRES	411	183
754	82	IRAP	1,819	1,651
1,187	1,297	Accrual to provision for deferred tax liabilities	2,375	2,612
(308)	(42)	Use of provision for deferred tax liabilities	(600)	(89)
(620)	(415)	Deferred tax assets	(1,024)	(777)
2,644	(1,692)	Reversal of deferred tax assets	5,251	2,107
(7)	(64)	IRES/IRAP for prior years	(7)	(64)
3,832	(1,249)	Total	8,225	5,623

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the preparation of these Condensed Consolidated Financial Statements as of June 30, 2016, and the theoretical tax charge (in thousands of Euro):

		For the six months ended June 30, 2016		For the six months ended June 30, 2015
Profit before tax		7,829		5,957
Theoretical IRES tax charge	27.50%	(2,153)	27.50%	(1,638)
Theoretical IRAP tax charge	5.12%	(401)	5.12%	(305)
Total theoretical tax expense		(2,554)		(1,943)
Fines, penalties and other taxes		(230)		(130)
Other permanent non-deductible costs		(6,888)		(2,350)
Other permanent tax deductions		847		528
		(8,825)		(3,895)
Permanent differences for IRAP tax purposes (including employees)		593		(1,792)
		(8,232)		(5,687)
Tax and duties for prior year		7		64
Actual tax expense	-105.06%	(8,225)	-94.40%	(5,623)

For further details on the effects deriving from the tax burden and the tax consolidation regime, reference is made to Note 18 "Deferred tax assets and deferred tax liabilities" of these explanatory notes. The last year finalised for tax purposes was the year 2010.

Reference is made to Note 29 for further details on tax disputes.

Notes to the main items of the Condensed Consolidated Statement of Financial Position

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as of December 31, 2015, restated due to the change in the PPA (Purchase Price Allocation) of Cogemat (Note 4 "Business combination"), as well as to reclassification as per Note 1.2. "Accounting standards".

15. Property, plant and equipment

Property, plant and equipment as of June 30, 2016 amounted to Euro 141,377 thousand (Euro 147,143 thousand as of December 31, 2015). The change is mainly due to the combined effect of the depreciation charge for the period (Euro 9,530 thousand), investments (Euro 3,964 thousand), and disposals, net of accumulated depreciation (Euro 204 thousand).

	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
<i>(thousands of Euro)</i>						

Cost

Balance as of December 31, 2015	146,630	213,866	8,684	43,728	59	412,967
Reclassification	0	(12)	(8)	22	0	2
Additions	465	3,104	30	169	196	3,964
Disposals	0	(3,958)	0	(817)	(4)	(4,779)
Balance as of June 30, 2016	147,095	213,000	8,706	43,102	251	412,154

Depreciation and impairment losses

Balance as of December 31, 2015	40,096	180,666	8,100	36,962	0	265,824
Depreciation for the period	1,597	6,560	100	1,273		9,530
Disposals	0	(3,773)	0	(802)		(4,575)
Reclassification	0	(61)	(7)	12	54	(2)
Balance as of June 30, 2016	41,693	183,392	8,193	37,445	54	270,777

Carrying amounts

As of December 31, 2015	106,534	33,200	584	6,766	59	147,143
As of June 30, 2016	105,402	29,608	513	5,657	197	141,377

The "Plant and equipment" item includes electricity, water, fire prevention and air conditioning systems, as well as work carried out for the compliance with safety regulations, electronic machinery, and technology for connection to the network of the central systems.

Increases as of June 30, 2016, in the amount of Euro 3,964 thousand mainly relate to the following:

- the "Land and buildings" item, in the amount of Euro 465 thousand, is as follows: Euro 187 thousand related to works at the Montecatini Terme racetrack, Euro 199 thousand primarily related to consolidation and improvement to the structures at the Ippodromo del Galoppo (Milan-Sansiro Racetrack), Euro 57 thousand for remediation works in the Milan ground, Euro 17 thousand for works at the racetrack "La Maura", Euro 5 thousand related to works on the building of the registered office;
- the "Plant and equipment" item, in the amount of Euro 3,104 thousand, is as follows: Euro 584 thousand related to technology loaned free of charge to the sales points; Euro 109 thousand to electro-thermal and electric plant; Euro 607 thousand to AWP machines and replacement of related cards; Euro 86 thousand to radio links, for Euro 1,231 thousand to implementation of a directing plant of Teleippica S.r.l. (including Euro 1,217 thousand for the offices in Rome and Euro 14 thousand for the offices in Porcari); Euro 34 thousand to plant projection machines; Euro 201 thousand for betting technology and equipment; Euro 49 thousand for equipment and technology related to VLTs and Euro 203 thousand to purchases of equipment (servers, printers, PCs and monitors) and other plant and equipment necessary for the performance of the various business operations of the Group companies;
- the item "Industrial and commercial equipment", totalling Euro 30 thousand, includes: Euro 18 thousand for the fence in the training centre, Euro 12 thousand for other assets;
- the Other assets item, amounting to Euro 169 thousand is as follows: Euro 135 thousand to furnishings and fittings provided free of charge to the betting shops and to shops managed directly by the Group, Euro 21 thousand to

head office furnishings and fittings and Euro 13 thousand to other assets.

- “Assets under construction and advances”, amounting to Euro 196 thousand, including Euro 181 thousand for works in the new Villaggio Champions League and in the Milan area.

No financial expenses have been capitalized in property, plant and equipment, since the Group does not have qualifying assets, as defined under IAS 23.

Leasing

The Group has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various dates by April 30, 2018. These agreements include redemption and/or extension clauses.

The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an accumulated depreciation, as of June 30, 2016, of Euro 1,122 thousand. This asset was purchased in July.

The following table shows the minimum future instalments of the financial leasing contracts:

<i>(thousands of Euro)</i>	Total
Total commitments as of June 30, 2016	186
of which	
Instalments due within 12 months	151
Instalments due between 1 to 5 years	35
Instalments due after 5 years	-
Purchase option	724

The remaining instalments due for operating leases do not present significant amounts.

16. Intangible assets

Intangible assets as of June 30, 2016 amounted to Euro 463,835 thousand (Euro 472,578 thousand as of December 31, 2015). The change is mainly due to the combined effect of amortisation for the period of Euro 17,711 thousand, net disposals of Euro 172 thousand and additions of Euro 9,142 thousand.

<i>(thousands of Euro)</i>	Goodwill	Concessions, licenses, trademarks and similar rights	Industrial patent rights and use of intellectual property	Other	Work in progress	Total
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Cost

Balance as of December 31, 2015 restated	306,595	361,383	25,440	73,155	388	766,961
Reclassification		11	0	0	(13)	(2)
Additions		4,352	995	3,006	789	9,142
Disposals	0	0	0	(1,005)	(112)	(1,117)
Balance as of June 30, 2016	306,595	365,746	26,435	75,156	1,052	774,984

Amortisation and impairment losses

Balance as of December 31, 2015	74	253,478	20,872	19,959	0	294,383
Amortisation for the period	0	13,495	1,005	3,211		17,711
Disposals		0	0	(945)		(945)
Balance as of June 30, 2016	74	266,973	21,877	22,225	0	311,149

Carrying amounts

As of December 31, 2015	306,521	107,905	4,568	53,196	388	472,578
As of June 30, 2016	306,521	98,773	4,558	52,931	1,052	463,835

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

Investments of Euro 9,142 thousand mainly include:

- "Concessions, licences, trademarks and similar rights", amounting to Euro 4,352 thousand, related to the issue of gaming machine (AWPs) authorisation;
- "Industrial patent rights and use of intellectual property", amounting to Euro 995 thousand, of which Euro 800 thousand for licenses of virtual games and Euro 195 thousand for development and implementation of software;
- "Other", totalling Euro 3,006 thousand, including Euro 2,750 thousand for AWP game cards to update the gaming machines, Euro 139 thousand for the development of portals, Euro 63 thousand related to operating software for administration, finance and control, Euro 45 thousand for development of logistics operating software;
- "Work in progress", amounting to Euro 789 thousand, of which: Euro 679 thousand for internally generated software, Euro 20 thousand for development costs related to the former Trotto area, and Euro 90 thousand for the issuing of the gaming machine (AWPs) authorisation.

With regards to intangible fixed assets, the useful life of concessions expiring on June 30, 2016 was reviewed based on the notice 54917 of June 9, 2016, issued by the ADM. This allowed for the continuation of the activities until publication of the tender (i.e. June 30, 2017). For further details, see Note 2.

As specified in Note 4 "Business Combinations", goodwill as of December 31, 2015 was adjusted by Euro 318 thousand. Goodwill amounts to Euro 306,521 thousand, and is allocated to the following cash generating units (CGU):

- Euro 294,941 thousand to the consolidated "Concessions" CGU, of which (i) Euro 219,241 thousand generated through acquisition of the concessions segment as from March 16, 2006 and (ii) Euro 710 thousand generated by the business combination for the acquisition of Agenzia Ippica Monteverde S.r.l. (now merged into SNAI S.p.A.). The two CGUs coincide with the "Concessions" CGU disclosed in the separate financial statements of SNAI S.p.A. The amounts related to the "Concessions" CGU are added with Euro 857 thousand generated by the purchase of Finscom S.r.l., net of the impairment loss resulting from measurements made at the end of 2015 on the Purchase Price Allocation process, which had been preliminarily assessed at the purchase date. These amounts also include Euro 2,362 thousand generated by the combination and related to the lease (with purchase commitment) of the S.I.S. S.r.l. in liquidation business unit, net of impairment loss resulting from the aforesaid testing on the occasion of the final PPA, and Euro 71,453 generated by purchase of the shareholding in Cogemat S.p.A. As permitted by IFRS 3, for twelve months after the acquisition of Cogemat, and to complete the measurement process, it is possible to retroactively adjust the provisional amounts of acquired assets and liabilities to take account of their fair value at the acquisition date, with consequent re-measurement of goodwill. The Company took advantage from this possibility after receiving the notice by AAMS on June 23, 2016 that informed Cogetech S.p.A. that the amount that the company had to pay for conformity assessments on VLT gaming machines was Euro 439 thousand for the 2013-2015 three-year period. Given the fact that these were costs referable to periods before the acquisition, goodwill was adjusted by Euro 318 thousand, net of the related tax effect. This CGU includes, at the consolidated level, the business related to the horse racing and sports betting concessions, to the concession for the management and operation of the network for the on-line management of legal gaming machines and the related assets and functions (slot machines - AWP and video-lottery - VLTs) and activities related to skill, bingo and casino games;
- Euro 11,137 thousand to the Betting Services CGU, provided by SNAI Services Spazio Gioco S.r.l., incorporated into SNAI S.p.A. in 2002, consisting of activities related to telematic services provided a bet acceptance points.
- Euro 443 thousand contributed by Teleippica S.r.l. and referring to the Television Services CGU, consisting of the operations related to television services.

The maximum combination level of CCUs are the operating segments, as envisaged by IFRS 8.

In accordance with international accounting standards, and in particular by IAS 36, goodwill is tested for impairment on an annual basis or more frequently if there is any evidence suggesting that goodwill may be impaired.

If the test shows an impairment loss, the Group recognises a write-down of goodwill in the statement of financial position.

No events or impairment losses occurred during the six months ended June 30, 2016. Therefore, an interim impairment test was not performed.

17. Investments

The SNAI Group's investments are set forth in the following table.

	Carrying amount	Carrying amount	Percentage of ownership	
(thousands of Euro)	As of June 30, 2016	As of December 31, 2015	As of June 30, 2016	As of December 31, 2015
Affiliates and subsidiaries accounted for under the equity method				
- Hippogroup Roma Capannelle S.p.A.	1,038	1,036	27.78	27.78
- Alfea S.p.A.	1,454	1,454	30.70	30.70
- Connex S.r.l. in liquidation	0	0	25	25
- Solar S.A.	0	0	30	30
- C.G.S. Consorzio Gestione Servizi in liquidation	0	0	50	50
- Teseo S.r.l. in liquidation	0	0	100	100
Total investments accounted for under the equity method	2,492	2,490		
Other				
- Lexorfin S.r.l.	46	46	2.44	2.44
- Obiettivo 2016 S.r.l.	0	4	0.01	0.01
Total other investments accounted for under the equity method	46	50		

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

18. Deferred tax assets and deferred tax liabilities

Pursuant to IAS 12, deferred tax assets were offset against deferred tax liabilities, whenever the legal right for offsetting was deemed applicable. In particular, the aforesaid offset was performed separately for the companies included in the tax consolidation regime of SNAI S.p.A. and for the companies included in the tax consolidation regime of the subsidiary Cogemat S.p.A. A net amount of deferred tax assets resulted in both cases.

The SNAI Group reported net deferred tax assets of Euro 23,342 thousand (net deferred tax assets, as of December 31, 2015, restated, was Euro 29,344 thousand).

Due to the reduction of the IRES rate from 27.50% to 24.00%, with effect on the taxable period after the current one as of December 31, 2016, the SNAI Group calculated deferred tax assets and liabilities by applying the IRES tax rate of 24.00%, except for temporary differences which will be realized during 2016 and for which the IRES tax rate of 27.50%, currently in force, was maintained.

For greater clarity in terms of disclosure, the total amount of temporary differences and tax losses carried forward is described with a distinction between deferred tax assets and liabilities below.

The theoretical amount of deferred tax assets and liabilities, as well as the amounts recorded in the consolidated financial statements, are shown in the separate tables.

18.1. Deferred tax assets

(thousands of Euro)	Amount	Rate	Tax effect	Assets recorded	Reversal period
Allowance for doubtful accounts	77,981	27.50%-24.00%	19,526	18,665	2016 and following
Provision for risks and charges	19,406	27.50%-24.00%- 32.62%-29.12%- 31.40%-28.82%	5,458	5,458	2016 and following
Provision for the obsolescence of the inventory	201	24.00%-29.12%- 27.90%-28.82%	57	57	2017 and following
Difference between book value and tax value of property, plant and equipment and intangible assets	8,682	27.50%-24.00%- 32.62%-29.12%- 31.40%	213	213	2016 and following
Interest expense not deducted as per art. 96 of Tuir	127,746	24.00%	30,659	17,732	2017 and following
Other temporary differences	2,690	27.5%-24.00%- 31.40%	700	700	2016 and following
Total	236,706		56,613	42,825	

Total losses carried forward from prior year	Amount	Rate	Tax effect	Assets recorded	Usable by
SNAI S.p.A. tax consolidation:					
Year 2008	17,895	24.00%	4,295	4,295	no expiration
Year 2009	10,200	24.00%	2,448	2,448	no expiration
Year 2010	29,060	24.00%	6,974	6,974	no expiration
Year 2011	27,186	24.00%	6,525	6,525	no expiration
Year 2012	34,422	24.00%	8,261	8,261	no expiration
Year 2013	75,454	24.00%	18,109	2,989	no expiration
Year 2014	12,587	24.00%	3,021	3,021	no expiration
Year 2015	3,874	24.00%	930	-	no expiration
Year 2016	4,567	24.00%	1,096	-	no expiration
Total losses carried forward for SNAI S.p.A. tax consolidation	215,245		51,659	34,513	
Finscom S.r.l.:					
Year 2012	1,467	24.00%	352	-	no expiration
Year 2013	796	24.00%	191	-	no expiration
Year 2014	1,010	24.00%	242	-	no expiration
Year 2015	1,408	24.00%	338	-	no expiration
Total losses carried forward for Finscom S.r.l.	4,681		1,123	-	
Cogemat S.p.A. tax consolidation:					
Year 2012	10,745	24.00%	2,579	2,579	no expiration
Year 2013	57,302	24.00%	13,752	13,752	no expiration
Year 2015	9,935	24.00%	2,385	2,385	no expiration
Total losses carried forward for Cogemat S.p.A. tax consolidation	77,982		18,716	18,716	
Total losses carried forward	297,908		71,498	53,229	
Total Deferred tax assets				96,054	

Changes in deferred tax assets:

(thousands of Euro)	As of December 31, 2015	Accrual	Utilization	As of June 30, 2016
Deferred tax assets	Restated			
Deferred tax assets	100,281	1,024	(5,251)	96,054

As of June 30, 2016, the Directors of the Parent Company confirmed the assessment of recoverability of the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss, except for what has been specified.

The above-mentioned recoverability is based on the predictions of future positive results in the business plans.

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No deferred tax assets were recognised on the loss of the SNAI S.p.A. for the six months ended June 30, 2016, resulting from tax consolidation, against a recordable gain of Euro 1,096 thousand.

It is also noted that no deferred tax assets were recognised for the tax loss resulting from the same tax consolidation for 2015, against a benefit of Euro 930 thousand, while tax loss for 2013 included deferred tax assets equal to Euro 2,989 thousand, against benefits of Euro 18,109 thousand. Regardless of the fact that the Italian Revenue Agency accepted the request filed by the Parent Company on the deductibility, for IRES tax purposes, of amounts paid to settle the dispute with the ADM at the Court of Auditors, equal to Euro 63,000 thousand, the Parent Company's Directors deemed advisable not to record this amount as deferred tax assets.

Deferred tax assets recognized for tax losses, resulting from the tax consolidation of SNAI S.p.A., amounted to Euro 34,513 thousand, while deferred tax assets on tax losses not recognize amounted to Euro 17,146 thousand.

With regards to the retained interest expense as per Art. 96 of the Presidential Decree 917/1986, accrued in 2014 with regards to SNAI S.p.A., deferred tax asset of Euro 2,363 thousand, were recognised, against benefits amounting to Euro 5,941 thousand. No deferred tax assets were recognised on retained interest expense accrued by the Parent Company during the year 2015 and the six months ended June 30, 2016, against benefits totalling Euro 9,220 thousand.

With regards to the temporary differences between carrying amounts and fiscal values of the related assets/liabilities pertaining to the subsidiary Finscom S.r.l., (adhering to the tax consolidation of SNAI S.p.A. as from 2016), deferred tax assets of Euro 7 thousand were recognised against recordable benefits of Euro 2,120 thousand. In fact, no deferred tax assets on tax losses carried forward were recognised against recordable gains amounting to Euro 1,123 thousand, on interest payable carried forward pursuant to Art. 96 of the Presidential Decree 917/1986, against recordable gains amounting to Euro 129 thousand, as well as on the provision for doubtful debts subject to taxation, against recordable gains amounting to Euro 861 thousand.

18.2 Deferred tax liabilities

<i>(thousands of Euro)</i> Temporary differences	Amount	Rate	Tax effect	Deferred tax liabilities recorded
Amortisation of goodwill	(11,649)	24.00%-29.12%	(3,203)	(3,203)
Amortisation of goodwill of business segments	(155,701)	24.00%-29.12%	(44,261)	(44,261)
Amortisation, commercial network	(44,994)	31.40% 27.50%	(12,608)	(12,608)
Difference between the book value and the tax value of property, plant and equipment	(39,742)	24.00%-29.12%	(11,566)	(11,566)
Other temporary differences	(3,920)	27.50%-24.00%	(1,074)	(1,074)
Total deferred tax liabilities	(256,006)		(72,712)	(72,712)

The changes in the provision for deferred taxes are shown below:

	As of December 31, 2015	Accrual	Utilization	As of June 30, 2016
Deferred tax liabilities	70,937	2,375	(600)	72,712

The Directors of SNAI S.p.A. have decided, in accordance with IAS 12, to record the deferred tax liabilities generated by all of the temporary differences between the book values and the tax values of the related assets/liabilities. In particular, the acquired business segments are considered business combinations and therefore are recorded using the acquisition method specified by IFRS 3. Therefore, the Company has recognised the identifiable assets and liabilities at fair value at the acquisition date and it recorded goodwill only after having allocated the acquisition cost as described above. Goodwill is not subject to amortisation but to impairment testing on an annual basis; amortisation for tax purposes is regulated by Art. 103, paragraph 3, of the Presidential Decree 917/1986, which gives rise to deferred taxes.

The "Amortisation, commercial network" item, equal to Euro 44,994 thousand, with tax effect equal to Euro 12,608 thousand, results from the consolidation into SNAI S.p.A. of the Cogemat Group. In particular, after recognising identifiable assets and liabilities, of the transferred company, at the related fair value and at the acquisition date, a portion of the difference between purchase price (made up of the share capital increase carried out by SNAI S.p.A.) and

transferred shareholders' equity was allocated to the commercial network of the Cogemat Group, based on the related fair value.

The "difference between the book value and the tax value of property, plant and equipment" of Euro 39,742 thousand, with tax impact of Euro 11,566 thousand, mainly relates to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 37,343 thousand with tax effect of Euro 10,883 thousand), as well as properties and land (owned by former Immobiliare Valcarenga S.r.l.) in Milan (Euro 1,349 thousand, with tax effect of Euro 394 thousand).

18.3 Tax Consolidations, pursuant to articles 117 and seq. of the Presidential Decree no. 917 of December 22, 1986

On September 30, 2015 and for the period from 2015 to 2017, the adhesion option to the tax consolidation, to be exercised in the 2015 Revenue form, was renewed as per articles 117 and seq. of the Presidential Decree 917/1986 between the consolidating company SNAI S.p.A. and the consolidated company Teleippica S.r.l. At the same time, the option to adhere to the tax consolidation between SNAI S.p.A. and the newly established subsidiary Snai Rete Italia S.r.l. was exercised for the same period.

Lastly, for the 2013-2015 period, the adhesion option to the tax consolidation, as per articles 117 and seq. of the Presidential Decree 917/1986, between the consolidating company SNAI S.p.A. and the consolidated company Società Trenno S.r.l., will be renewed during 2016 in the tax returns filed by using the 2016 Revenue form. On that occasion, the adhesion to the tax consolidation will be also exercised between the consolidating company and the subsidiary Finscom S.r.l.

The adoption of consolidated taxation may have some beneficial effects on the Group's tax burden, including the possibility of immediate full or partial application of tax losses for the period incurred by the companies participating in the consolidation scheme to reduce the income reported by the other consolidated companies and to recover the excess interest expense not deducted by the consolidated companies due to the excess of Gross operating income (GOI) of the other companies participating in the scope of consolidation.

SNAI S.p.A., as the consolidating entity, is required to make an advance payment on account for the balance of the corporate income tax (IRES) based on the consolidated income statement.

Under the existing agreements, the income tax on the taxable income transferred to the consolidating entity is then paid by set-off against the credit balance created by the early payments, amounts deducted at source, deductions of tax or transfers for any other reason, any amounts that cannot be offset are payable within 90 days after the Company's receipt of the request from the consolidated companies.

In the event that the consolidated companies transfer tax credits to SNAI S.p.A., that transfer implies an indemnity to those companies in the amount of the tax credits thus transferred.

Benefits deriving from the transfer of tax losses from SNAI S.p.A. will be paid within 90 days from reception by the Parent Company of the request sent by the consolidated company, irrespective of the fact that these losses have been actually used.

The consolidated companies' tax liability with respect to the Italian Revenue Agency remains in effect if a higher taxable income for the Parent Company is assessed as a result of miscalculations in the taxable income reported by the consolidated companies.

The subsidiary Cogemat adheres to a different domestic tax consolidation, which envisages the same Cogemat S.p.A. as consolidating and holding company and Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A. as consolidated companies. The tax consolidation agreement currently in place between the aforesaid companies sets out that, if group taxation no longer exists, the Company, no longer adhering to the tax consolidation regime, which transferred tax losses over the validity period related to the option for tax consolidation, is entitled to receive such tax losses back if they had not yet used by the Group.

19. Inventory

Compared to December 31, 2015, inventory decreased by Euro 93 thousand. The breakdown of the "Inventory" item is shown below:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Raw materials	186	184	2
Semi-finished products	0	0	0
Finished products/goods	362	457	(95)
Total	548	641	(93)

The value of inventory is shown net of the provision equal to Euro 201 thousand as of June 30, 2016 (Euro 203 thousand as of December 31, 2015). The decrease is due to the utilization in the period.

20. Trade receivables

The trade receivables are broken down as follows:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Trade receivables			
- from third parties	204,088	202,563	1,525
- from foreign third parties	23	20	3
- from MIPAAF	4,811	4,194	617
- from stables, jockeys and bookmakers	487	837	(350)
- from the Parent Company Global Games S.p.A.	4	0	4
- bills collection	1,027	1,206	(179)
- allowances for doubtful accounts	(70,960)	(72,651)	1,691
Total	139,480	136,169	3,311

Trade receivables from third parties as of June 30, 2016 included the amount due from operators for accepting bets (Betting and Gaming Machines), net of the compensation due to those operators, in addition to receivables to operators of Gaming Machines for the reduction of premiums and remunerations provided for by the 2015 Stability Law. The increase in trade receivables is mainly attributable to the increase in the PREU rate applicable to collections from gaming machines, as set out by the 2016 Stability Law, resulting in an increase in the amounts required to the network for the next payment to the ADM. As of June 30, 2016, the receivables related to the reduction of premiums, as set forth by the stability law, amounted to Euro 30,128 thousand, including Euro 11,223 thousand related to SNAI S.p.A. and Euro 18,905 thousand related to Cogetech S.p.A. To this purpose, the non-payment of amounts pertaining to the Gaming Machine operators will involve the non-repayment of the same amounts by the Group to ADM within the term of October 31, 2015, as set out by the Stability Law (for further details see Note 30 Other liabilities). In light of opinions collected, the SNAI Group believes that it is not co-responsible with regards to the tax rate pertaining to the business segment, and deems that there is no credit risk as per the amounts that are possibly not repaid by operators albeit the Group disclosed the amounts due and the corresponding gross payables to the ADM under item other payables.

Trade receivables from third parties also include the receivables subject to legal action amounting to Euro 52,631 thousand (Euro 51,960 thousand as of December 31, 2015).

Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture, Foodstuff and Forestry Policies), amounted to Euro 4,811 thousand (Euro 4,194 thousand as of December 31, 2015) and include:

- Euro 2,530 thousand (Euro 1,840 thousand as of December 31, 2015) for receivables from the Società Trenno S.r.l. Trade receivables from MIPAAF includes receivables accrued from January to June 2016 for current services, or grants for television broadcasts, plants and
- Euro 2,281 thousand (Euro 2,354 thousand as of December 31, 2015) related to the agreement made by Teleippica S.r.l. for transport services, the processing and transmission of video and audio signals from domestic and foreign racecourses, and the production and transmission of the UNIRE BLU channel dedicated to betting shops for "national" horse betting; daily presentation and broadcast of programmes and other connected services.

The allowance for doubtful accounts was calculated taking into consideration the amount of receivables that were doubtful, analysing debtors' specific conditions and any security that had been provided towards the companies of the Group, and also carrying out an assessment on the possible recovering of overdue receivables, and disputed receivables, based on the opinions of the Group's lawyers. Considering the company-backed guarantees obtained from debtors, directors believe that this provision is adequate to cover all foreseeable future losses on receivables.

21. Other non-financial assets

Other non-current assets, classified under "other non-financial assets", are broken down as follows:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Other non-financial assets			
<i>Tax receivables:</i>			
- for tax refund	47		47
	47	0	47
<i>Receivables from others:</i>			
- guarantee deposits	1,207	1,134	73
- other receivables	0	6	(6)
	1,207	1,140	67
<i>Receivables from clients:</i>			
- bills for collection	398	522	(124)
- customers	2,450	1,642	808
	2,848	2,164	684
Total other non-financial assets	4,102	3,304	798

Other current assets are composed as follows:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Other current assets			
<i>Tax receivables:</i>			
- from Italian Revenue Agency for IRES credit	2,409	2,561	(152)
- from Italian Revenue Agency for IRAP credit	488	1,402	(914)
- from Italian Revenue Agency for VAT credit	103	115	(12)
- Other	295	548	(253)
	3,295	4,626	(1,331)
<i>Receivables from others:</i>			
- Gaming Machines security deposit	18,997	37,228	(18,231)
- Receivable for the advance payment of the second instalment - Stability Law ADM	182	182	0
- Advance payment of concession fee and other receivables from the ADM	2,375	2,445	(70)
- Escrow deposit	41	651	(610)
- Receivables from the ADM for winnings on pool betting and National Horse Racing	0	81	(81)
- On-line gaming security deposit (Skill/Bingo)	307	345	(38)
- Receivables for Skill Games	17	15	2
- Other receivables from Betting Acceptance Points	0	0	0
- Receivables from prior positions with concession authorities	327	327	0
- Receivables for payment of PREU interest and sanctions what were not due	2,114	2,114	0
- Receivables from Bluline electronic purse	226	226	0
- Benefits Entities	361	100	261
- Banks	173	0	173
- Other receivables	2,426	4,068	(1,642)
- Allowance for doubtful account	(2,759)	(1,074)	(1,685)
	24,787	46,708	(21,921)
<i>Accrued income and prepaid expenses</i>			
- Accrued income	252	89	163
- Prepaid expenses	4,690	3,832	858
	4,942	3,921	1,021
Total other current assets	33,024	55,255	(22,231)

The gaming machines security deposit of Euro 18,997 thousand (Euro 37,228 thousand) is equal to 0.5% of the turnover generated by the gaming machines (AWP and VLT), as described in greater detail in Note 5, “revenues from sales and services.” Euro 7,667 thousand is related to SNAI S.p.A. and Euro 11,330 thousand is related to the Cogemat Group. In June, the SNAI Group collected a guarantee deposit related to 2015 amounting to Euro 37,052 thousand.

The escrow deposit, of Euro 41 thousand was allocated to confirm the binding intention to lease, and subsequently sell the business unit S.I.S Srl. This amount is not interest-bearing and is equal to 5% of the payment, amounting to Euro 1,300 thousand, decreased by the monthly rental of the company (Euro 100 thousand on a monthly basis, plus VAT from July 22).

The advance payment of concession fee and other receivables from the ADM, equal to Euro 2,375 thousand, includes Euro 2,202 thousand related to the fixed amounts paid in advance to the ADM in the six months ended June 30, 2016 and relates to the concession fee for horse racing and sports betting and for on-line gaming, excluding the amounts pertaining to the period. For further details, see Note 10.

Prepaid expenses include:

- Euro 2,571 thousand (compared to Euro 2,397 thousand as of December 31, 2015), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for gaming machines;
- Euro 2,119 thousand (Euro 1,435 thousand as of December 31, 2015), primarily related to costs of maintenance, assistance and lease contracts, etc., that have not yet accrued.

22. Current and non-current financial assets

Non-current financial assets, amounting to Euro 1,778 thousand (Euro 1,173 thousand as of December 31, 2015), are related to AWP deposits for contracts with segment operators.

The current financial assets consist of the following:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Escrow accounts and restricted deposits	18,224	19,853	(1,629)
Eonia Plus Pioneer Fund	0	1,483	(1,483)
Dedicated bank current account	95	95	0
Società Fiorentina Corse Cavalli shares swap	1	1	0
Total Current financial assets	18,320	21,432	(3,112)

The escrow accounts and restricted deposits were opened by the Parent Company in order to manage the setoff between the receivables from the ADM under the Di Majo award, and the liabilities for wagers, due every two weeks (the so-called “former ASSI fifteen-days payments”). Such restricted bank accounts are unavailable pending the ADM’s decisions after the judgement of the Milan Court of Appeal of November 21, 2013, which stated that the arbitration award issued on May 26, 2003 (known as “Di Majo Award”) was void and ineffective.

The restricted deposits held in bank current accounts relate to amounts that are temporarily unavailable because of enforcement order of third party claims; it is noted that such amounts involve attachments applied to various bank current accounts on the basis of the same enforcement order. As of June 30, 2016 there are two enforcement procedures for a total amount of Euro 1,509 thousand, which were concluded with order of the Lucca Court of June 29, 2016 and July 5, 2016. In the first days of July, for one of the enforcement procedures the released amount was Euro 763 thousand, for the other, amounting to Euro 746 thousand, the redemption certificate is to be received based on which the bank will release the related amount.

The quotas of the Eonia Plus Pioneer investment fund held by the Group were sold on March 10, 2016.

The bank current account of IZILove Foundation comprises the amounts exclusively intended for social solidarity projects and charity.

Non-current financial assets, the dedicated bank current account, the escrow accounts and restricted deposits were not included in the Net Financial Position (see Note 39).

23. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Current bank accounts	136,869	105,478	31,391
Postal deposits	532	772	(240)
Cash on hand	1,384	1,338	46
Cash and cash equivalents	138,785	107,588	31,197
Bank overdrafts	0	0	0
Net cash and cash equivalents	138,785	107,588	31,197

24. Shareholders' equity

The share capital of the Parent Company SNAI S.p.A., as of June 30, 2016, entirely subscribed and fully paid in, amounted to Euro 97,982,245.40 (97,982,245.40 as of December 31, 2015), and is comprised of 188,427,395 ordinary shares, of which 116,824,985 are listed on the Italian Stock Exchange (188,427,395 ordinary shares as of December 31, 2015).

On September 28, 2015, the extraordinary shareholders' meeting resolved on a divisible increase with consideration of SNAI S.p.A.'s share capital, excluding the option right pursuant to Art. 2441, par. four, first sentence, of the Italian Civil Code, for a maximum nominal amount of Euro 37,233,253.20, through the issue of 71,602,410 maximum new ordinary shares of the Company. The latter are to be released by the current shareholders of Cogemat S.p.A. through the payment in kind of 100% of the ordinary shares held in Cogemat S.p.A. share capital. The above-mentioned transfer deed was signed on September 30, 2015, and became effective on November 19, 2015, upon fulfilment of the related conditions precedent. On November 24, 2015, the certification of the share capital increase was deposited at the Company's Register in Lucca.

The holders of ordinary shares are entitled to receive such dividends as are resolved upon from time to time and are entitled to cast one vote at the Company's meeting for each share they hold.

	Listed on the Italian Stock Exchange	Unlisted	Total
Number of shares authorised	116,824,985	71,602,410	188,427,395
Number of shares issued and fully paid up	116,824,985	71,602,410	188,427,395
Nominal value per share (in Euro)	0.52	0.52	0.52

On July 21, 2016, 71,602,410 shares were listed.

All the shares issued are ordinary shares.

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

Reserves

Share premium reserve

The share premium reserve amounts to Euro 56,950 as of June 30, 2016. The share premium reserve created on November 19, 2015 in the amount of Euro 102.6 million, (net of ancillary charges borne for the share capital increase and net of the tax effect), on November 19, 2015, after the acquisition of the Cogemat Group, which was for a total amount of Euro 140 million. Changes over the period, amounting to Euro 45,677, are due to the repayment of a portion of losses for 2015.

Reserve for the remeasurement of employee termination indemnities (IAS 19)

The reserve for the remeasurement of employee termination indemnities (IAS 19), equal to Euro 849 thousand, relates the recognition of actuarial gains and losses.

Treasury share reserve

The treasury share reserve was made up of SNAI S.p.A. shares owned by the subsidiary Finscom S.r.l. at the date in which SNAI S.p.A. and SNAI Rete Italia S.r.l. purchased Finscom S.r.l.

Profit/(loss) carried forward

Profit/(loss) carried forward amounted to a loss of Euro 18,330 thousand as of June 30, 2016 and decreased by Euro 8,554 thousand due to the coverage of 2015 loss and Euro 17 thousand related to the fair value of the Eonia Fund that was sold on March 10, 2016.

Non-controlling interest

As of June 30, 2016, non-controlling interests were zero, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

25. Other comprehensive income/(loss)

Other comprehensive income/(loss) relate to the recognition of fair value of the Eonia Fund that sold on March 10, 2016.

The following table shows details of the other comprehensive income statement.

(thousands of Euro)

For the three months ended June 30,			For the six months ended June 30,	
2016	2015		2016	2015
		Derivate instruments for hedging:		
0	733	Adjustment to cash flow hedge	0	1,465
0	(202)	Tax effect	0	(403)
0	531	Hedge derivatives	0	1,062
0	0	Fair value of securities held for trading	17	(110)
0	531	Other comprehensive income/(loss) net of taxes	17	952

26. Earnings per share

Basic earnings per share

The calculation of the basic earnings/loss per share as of June 30, 2016 was made taking into consideration the loss attributable to the holders of ordinary shares, for Euro 396 thousand (December 31, 2015: loss of Euro 54,231 thousand) and the weighted average number of outstanding ordinary shares for the six months ended June 30, 2016, equal to 188,356,771 shares (December 31, 2015: 124,051,448).

The amount was calculated as follows:

(thousands of Euro)	For the six months ended June 30, 2016	For the year ended December 31, 2015	For the six months ended June 30, 2015
Net profit/loss for the period/year (a) in thousands of Euro	(396)	(54,231)	334
Average weighted number of ordinary shares /1000 (b)	188,356.77	124,051.45	116,824.99
Basic earnings/(loss) per share (a/b) in unit of Euro	0.00	(0.44)	0.00

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share, given that no financial instruments with potentially dilutive effects have been issued

27. Employee termination indemnities

The employee termination indemnities as of June 30, 2016 amounted to Euro 8,676 thousand compared to Euro 8,641 thousand as of December 31, 2015.

The following table shows the movements therein:

(thousands of Euro)

Balance as of January 1, 2016	8,641
Accruals	396
Utilizations	(442)
Financial expenses	81
Balance as of June 30, 2016	8,676

Employee termination indemnities are considered to be defined-benefit plans and are accounted for in accordance with IAS 19, applying the projected unit credit method, which consists of estimating the future amount to be paid to each employee at the time of termination of their employment, and discounting that liability to present value on the basis of an assumption as to the timing of their resignation calculated using actuarial methods.

28. Current and non-current financial liabilities

The financial liabilities are comprised of the following:

(thousands of Euro)	As of June 30, 2016	As of December 31, 2015	Change
Non-current financial liabilities			
Bond loan	575,042	573,030	2,012
Due to financial leasing	36	71	(35)
Total non-current liabilities	575,078	573,101	1,977
Current financial liabilities			
Due to financial leasing	1,234	1,295	(61)
Due for interest on bond loans	2,166	2,166	0
Due to banks	330	71	259
Due to "Betting Acceptance Points" for the purchase of horse race and sports concessions business units	32	32	0
Total current financial liabilities	3,762	3,564	198

The financial liabilities include:

- The bond loans stipulated on December 4, 2013 and July 20, 2015 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 575,042 thousand, (nominal value of Euro 590,000 thousand) and stated net of direct ancillary charges/income. These ancillary charges/income, originally equal to Euro 25,156 thousand, include professional fees related to the signature of the contracts, as well as the tax payable on the assumption of the loan and gains resulting from the pricing difference of the last bond loan issued. The amount charged to income statement as of June 30, 2016 amounted to Euro 2,012 thousand;
- Financial liabilities for financial lease contracts, amounting to Euro 1,270 thousand, mainly relate to the residual balances for the acquisition of a building situated in Porcari (Lucca) and of technology for use in betting acceptance points, described in greater detail in Note 15, "Property, plant and equipment".

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

On December 4, 2013, SNAI S.p.A. issued a bond loan for Euro 480,000 thousand and with the following characteristics:

- Euro 320,000 thousand, with a 7.625% interest rate and called Senior Secured Notes, with maturity date on June 15, 2018;
- Euro 160,000 thousand, with a 12.00% interest rate and called Senior Subordinated Notes, with maturity date on December 15, 2018.

Bonds were initially subscribed by J.P. Morgan, Banca IMI S.p.A., UniCredit AG and Deutsche Bank AG, London Branch, pursuant to a purchase contract signed on the same date with SNAI S.p.A., and were then placed exclusively with institutional and professional investors. Procedures for the listing of notes were then started on the Euro MTF market, organized and managed by the Luxembourg Stock Exchange, together with procedures for the secondary listing on the ExtraMOT Pro segment, organized and managed by Borsa Italiana. These procedures are now completed.

Senior Secured Notes and the Senior Revolving Facility are also backed by a pledge on SNAI S.p.A. shares, issued by a majority shareholder of the Company. The related security agreement between the Company and the majority shareholder was submitted to the favourable binding opinion by the SNAI S.p.A. Related Party Committee.

On November 27, 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. On July 28, 2015, during the refinancing transaction connected with the consolidation of the Cogemat Group, UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A., Milan Branch, committed to supply SNAI S.p.A. subject to the fulfilment of certain conditions, with a further Euro 25,000 thousand, at the same terms and conditions set out in 2013, thus increasing the credit line to a total amount of Euro 55,000 thousand. On December 10, 2015, the aforesaid conditions precedent were fulfilled. The Senior Revolving Facility had not been used as of June 30, 2016.

On July 20, 2015, the Board of Directors of SNAI S.p.A. approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity on June 15, 2018. Bonds were initially subscribed by J.P.Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed at qualified investors. The bonds are listed on the Euro MTF market, organised and managed by the Luxembourg Stock Exchange. With regards to the acquisition of the Cogemat Group, proceeds from the issue of the bonds were used by the Company for the partial early cash repayment of payables resulting from loans related to Cogemat and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on July 21, 2015, for a total principal up to Euro 110 million, with maturity term on June 15, 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on year-over-year basis. The bond issue and regulation took place on July 28, 2015. The related amounts were credited on an escrow account until the occurrence of conditions precedent and upon enforceability of the acquisition of Cogemat Group. On November 18, 2015, following the occurrence of the aforesaid conditions precedent, the funds were made available to the Company.

A summary of bonds and credit facilities is shown in the following table:

(thousands of Euro)

Financial payables	Amount of loan	Term	Interest period	Maturity	Repayment	Drawdowns/Repayments	
						Date	Amount
Senior Secured Notes	320,000	4 years and 6 months	6 months	June 15, 2018	Bullet	December 4, 2013	320,000
Senior Subordinated Notes	160,000	5 years	6 months	December 15, 2018	Bullet	December 4, 2013	160,000
Senior Revolving Facility	55,000		1, 3 or 6 months	December 15, 2017	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.		-
Senior Secured Notes	110,000	3 years and 5 months	6 months	June 15, 2018	Bullet	July 28, 2015	110,000
Total	645,000				Total amount disbursed as of June 30, 2016		590,000

With regards to the information on covenants in place on Loan Agreements, reference is made to Note 39.1.

29. Provisions for risks and charges, pending litigations and potential liabilities

The SNAI Group involved in proceedings before civil and administrative courts, and other legal actions, connected with its ordinary course of business. On the basis of the information currently available, and taking into consideration the existing provisions for risks, the SNAI Group considers that those proceedings and actions will not result in material adverse effects upon the consolidated financial statements.

This section provides a summary of the most significant proceedings. Unless indicated otherwise, no provisions have been made in relation to the disputes described below for which the SNAI Group considers an unfavourable outcome in

the proceedings to be simply possible (namely, not probable) or where the amount of such a provision cannot be reliably estimated.

As of June 30, 2016, the provisions for risks and charges amounted to Euro 20,848 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

<i>(thousands of Euro)</i>	Provisions for technological renewals	Provisions for tax disputes, litigations, contractual risks and other	Total
Balance as of December 31, 2015	2,246	24,853	27,099
Business combination	0	0	0
Accrual for the period	470	791	1,261
Reclassification	(20)	(1,688)	(1,708)
Utilisation for the period	0	(5,804)	(5,804)
Balance as of June 30, 2016	2,696	18,152	20,848

Provisions for technological renewals

The provision for technological renewals consists of periodical allocations for technological upgrading, as provided for by the concession agreement for the construction and running of networks for the on-line management of legal gaming via gaming machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. (Consolidated Text of Public Safety Laws), as per the Royal Decree no. 773 of June 18, 1931, and following amendments and supplements.

Provisions for tax disputes, litigations and contractual risks

The provision for risks for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 18,152 thousand.

Provisions recognised for the period ended June 30, 2016 (Euro 791 thousand) include Euro 513 thousand for future charges related to costs for upgrading of the fire prevention systems, Euro 150 thousand for possible liabilities related to personnel and Euro 128 thousand for further risks.

The utilisations for the period, amounting to Euro 5,804 thousand, are related, in the amount of Euro 3,121 thousand, to transactions with employees and also include related legal fees. They are also related, in the amount of Euro 1,653 thousand, to the use for transactions with players and related legal fees and, in the amount of Euro 1,030 thousand for further uses.

SNAI

Disputes concerning the gaming machines business: proceedings “for rendering of account” initiated by the Substitute Prosecutor before the Court of Auditors and consequent judgement

Proceeding on reporting procedures

The object of the proceeding is the assessment of the mandatory disclosure of the accounts related to concession holders of the legal gaming through AWP and VLTs.

In April 2010, the regional public prosecutor at the Court of Auditors notified SNAI and other gaming concession holders of a claim under article 46 of Royal Decree no. 1214/1934, and an application under article 41 of the Royal Decree 1038/1933, for the formation of the official account, on the basis of an alleged failure to present a “court account” in respect of the cash flows arising from the management of gaming activities, as network concession holder.

By Decree of the President of the Lazio Section of the Court of Auditors the reporting trial has been resumed and a deadline set for the related filing. In its defensive brief, SNAI challenged the status ascribed to it, since it does not handle public money subject to the PREU tax.

On April 27, 2010, the Regional Prosecutor sent a summons for a hearing to sentence SNAI S.p.A. for non-reporting. The Court, at the preliminary for appearance and discussion held on October 7, 2010 regarding the penalty sought by the Prosecutor for the alleged delay in reporting, heard the arguments for and against SNAI and the other concession holders who underwent the same proceeding. The attorneys developed arguments on the substantial baselessness of the demands of the investigating Prosecutor and argue that the Court of Auditors should evaluate their requests for exoneration from responsibility for the delay in light of contemporary reporting procedures based on on-line communication of the data relevant to SOGEI S.p.A. instead of applying the rules laid down for someone who “handled” public money in a historical era as far back as 1862.

At the hearing of October 7, 2010, the Court of Auditors, in its ruling no. 2186/2010, totally rejected the Prosecutor's demands charging the ADM with failure to present a judicial account within the deadlines defined by law. On March 11, 2011, SNAI was served notice of the Prosecutor's appeal.

In the view of the Company's legal advisors, the grounds of the appeal may be reasonably overcome; on that basis, technical defences have been prepared for the hearing scheduled for March 13, 2013. At the hearing of March 13, 2013, the matter was deferred to a new hearing on December 18, 2013 and the decision was upheld.

As it did for the appeals of other concession holders, with ruling no. 5 of January 3, 2014, the Court of Auditors deemed that the accounting default claimed by the Prosecutor was actually present. The fine, however, was remarkably reduced from hundreds of millions of euros to Euro 5,000.00, duly paid, thus accepting the correct calculation of the fine claimed by SNAI.

The Company was served with the above ruling on July 3, 2014, with payment term of 30 (thirty) days. The Company provided for the payment on July 10, 2014; therefore, the proceeding can be deemed as settled. The updating is however supplied for sake of clarity, also in view of the strict connection between the above-mentioned sentence and the sentence on accounts described hereunder.

Sentence on accounts

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

In addition to the Proceedings on reporting procedures, in the course of 2012, the Sentence on account proceeding was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court of Auditors. At the hearing of January 17, 2013, the rapporteur referred, in support of their report, to an opinion provided to the ADM by the United Sections of the Court of Auditors, regarding the new form of court accounting, and the Court adjourned to May 16, 2013, placing copies of that opinion at the disposal of the parties.

With ruling no. 448/2013, lodged on June 14, 2013, the Lazio Court of Auditors' Jurisdictional Section stated that the sentence on accounts was ineffective and its decision was transmitted to the Regional Prosecutor for assessing any possible administration liabilities.

SNAI appealed the ruling. The hearing at the Court of Auditors' First Jurisdictional Section was held on April 10, 2015.

With sentence no. 304/2015 of April 30, 2015, the Court of Auditors' Third Section cancelled the objected sentence deeming that the case could not be concluded with a sentence indicating the impossibility of taking further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the sentence ordered that the Lazio Regional Section reviewed the audit in order to reach a final decision whether to discharge or not from the accounts, the items that were not equivalent (the related amount is unavailable). Upon order of the Appeals Section of the Court, all documents related to judicial reporting, already returned to the ADM, were retransmitted to the Lazio Regional Section.

The appeal ruling being executed, the case continued before the Lazio Regional Section of the Court. The case is awaiting the judicial proceeding acts from the public prosecutor.

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

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

On April 16, 2012, an anomalous peak of "jackpot" payment requests occurred on the Barcrest System (one of the VLT platforms that the Company used at such time), in connection with tickets which were only apparently winners, for various sums both within and even well beyond the legal limit of Euro 500,000.00.

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

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

In particular, as of June 30, 2016, 98 proceedings had been filed, including 10 interim orders that were temporarily enforceable and can be summarised as follows:

- in 2 cases, the gamers obtained an award of about Euro 500,000.00. In one of these cases SNAI, after obtaining the suspension of the interim order's enforceability, applied for a distraint order over the assets of the customer for

an amount of up to Euro 650,000.00;

- in another case, the temporary enforceability was suspended with SNAI's payment to the Court of Euro 500,000.00. The Court concluded the proceeding by declaring its own lack of jurisdiction and ordered the release of the guarantee deposit with consequent return of the corresponding amount to SNAI. –
- in the remaining seven cases, temporary enforceability was suspended pending summary examination of the substantive case. In five of those, the enforcement procedure started was then discontinued.

As of June 30, 2016, of the 98 proceedings:

- 51 are still pending;
- 3 were discontinued with a favourable sentence for SNAI;
- 12 not completed within the terms by reason of lack of territorial jurisdiction of the Judge and therefore they were discontinued;
- 29 were concluded with payments;
- 3 were discontinued due to inactivity of the plaintiff (failure to register, to appear in Court, to take part in the mediation procedure).

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

The compensation lawsuit filed by SNAI against Barcrest and its subsidiary was settled by waiving the legal action and therefore was declared cancelled, with legal expenses offset, as the parties reached an agreement on pending cases and payment of damages and costs already borne, including some guarantees on the cases themselves.

In light of the legal advice received and the favourable sentences - also on the merits - issued by the Court, in general the risk of the Group losing the cases entered by players can be deemed as remote.

Proceedings for revocation/expiry of certain rights awarded upon the conclusion of the Bersani Tender Procedure

The directorate general of the ADM has, through 108 different decisions, given notice of the revocation of the authorization, and the expiry/termination of rights, for failure to activate and/or unauthorized suspension of gaming (with reference to 108 rights assigned to SNAI further to the "Bersani" tender procedure) and with reference to other three rights, the ADM has given notice of start of proceedings for the revocation of authorization and termination of the right (with reference to three rights assigned to SNAI further to the "Bersani" tender procedure). The Company promptly brought the matter before the Lazio Regional Administrative Court.

The proceedings have not yet been settled, except for the objections, related to four licences that were rejected with no possible appeal. However, with regards to 6 proceedings, a notice was received informing that they will be discontinued if SNAI does not confirm its willingness to reach a settlement.

SNAI considered that it is no longer interested in settle these cases, as well as the remaining proceedings as the Company has already entirely discounted the related financial effects, also given the expiration of the securities involved.

In light of the above, we are awaiting for that all the above-mentioned proceedings be formally discontinued.

Disputes related to the betting business: Guaranteed minimum service levels

SNAI received a number of notices from the ADM regarding the reduced level of transactions by certain horseracing and sports Concessions in the years 2007-2008 for which the ADM has requested the minimum guaranteed service fees. We report the latest developments regarding the various measures analysed by year of dispute.

With the ADM notices no. 2009/20716 of May 29, 2009, the Authority demanded that SNAI pay the minimum guaranteed amounts for the year 2008, for a total of approximately Euro 11.1 million. On September 17, 2009, the Company, acting through its legal adviser, filed a special appeal with the Lazio Regional Administrative Court for the suspension and subsequent cancellation of the decisions requiring the minimum payments for the year 2008.

With ruling no. 10860/2009 published on November 5, 2009, the Lazio Regional Administrative Court has upheld the appeal submitted by SNAI, therefore cancelling the ADM's demands related to the year 2008.

A similar procedure was performed for the ADM's demand for 2009 in relation to 204 horse racing betting concessions for a total amount of Euro 7.4 million, against which an interim application was brought before the Lazio Regional Administrative Court, with a view to accelerating resolution of the dispute.

Following numerous litigation brought before the same Court by a large number of betting acceptance points concession holders related to the guaranteed minimum fees for the years 2006 and 2007, the Court pronounced the Sentences nos. 6521 and 6522 of July 7, 2009, cancelling the request of payment of the ADM as illegitimate, on the basis that such requests were not anticipated by the safeguard measures set out in the law in respect of those concession holders existing prior to the opening of market pursuant to Law Decree no. 223/06 (the so-called Bersani reform). The Regional Administrative Court (TAR) declared that the ADM was legally obliged to adopt those measures, in order to achieve a re-equilibrium of the operating conditions of the concessions in place prior to these reforms.

Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by the ADM in view of the adoption of such safeguard measures. It should also be noted, with regards to the minimum guaranteed amounts, that SNAI had complied with the ADM's request in relation to 2006, paying guaranteed minimums for an amount of Euro 2.4 million. The amount paid was

posted under receivables from the ADM, as it is now considered recoverable; and the Parent Company has informed the ADM that it would be seeking to enforce its rights in all appropriate venues, in order to have a recalculation on an equitable basis of all the amounts requested, and an evaluation of the conduct of the ADM. Recently, upon the appeal of the Company and other concession holders, the Lazio Regional Administrative Court revoked the ADM's demands and requested the adoption of the "safeguard" measures, in view of the fact that with the Bersani tender procedure, and other subsequent tender procedures, the territorial exclusivity originally granted under some concessions, were no longer valid following the award of a large number of additional concessions for sports and horse racing betting.

Finally, also on the basis of notices sent by the ADM to another concession holder, starting from the first fifteen days of April 2011, the receivable of Euro 2,429 thousand for the above-mentioned guaranteed minimum amounts related to the year 2006 paid by the Parent Company to the ADM in prior years has been offset against current liabilities, connected to former ASSI amounts.

On January 12, 2012, the ADM notified 226 requests for payment of minimum guaranteed amounts to which the following is to be added:- two further payment requests addressed to the former Agenzia Ippica Monteverde S.r.l.- payment requests of minimum guaranteed amounts for the years 2006-2007-2008-2009-2010, for a total amount of Euro 25,000 thousand on the assumption that the "safeguarding methods", previously not in place, had expressly been provided for by Article 38 (4) of Law Decree no. 223/06; it has now become apparent, however, that it was impossible to adopt a standard for calculating minimum guaranteed amounts, other than the standard that had already been repeatedly censured by several Lazio Regional Administrative Court rulings, some of which have now become *res judicata*. SNAI submitted an appeal to the Lazio Regional Administrative Court for the annulment of those orders after suspending their immediate enforceability pending the final ruling. The hearing for discussion of the interim application was set for March 21, 2012.

By virtue of order no. 1036/2012 of March 22, 2012, the Second Section of the Lazio Regional Administrative Court, also acknowledging the steps taken to resolve the long-standing question of the safeguarding measures, temporarily suspended the effectiveness for the new requests to pay the minimum guaranteed amounts for 2006-2010, fixing the hearing on December 5, 2012.

On June 20, 2012, the ADM notified SNAI with 226 requests to which the following is to be added: - a further payment request addressed to the former Agenzia Ippica Monteverde S.r.l. - payment requests for supplements of the guaranteed minimum amounts for the years 2006-2007-2008-2009-2010-2011 and for the aggregate amount of Euro 24.9 million.

Compared to the previous round of demands of January 2012, this one, on the negative side, shows the addition of the supplements owed for the year 2011, which had not yet been demanded by the ADM and, on the positive side, a 5% reduction in the amount demanded pursuant to Article 10 (5) (b) of Law Decree no. 16 of March 2, 2012 converted into Law no. 44 of April 26, 2012.

This Article has provided, in respect of the "*amounts for collection pursuant to article 12 of Presidential Decree no. 169 of April 8, 1998, as supplemented*" (the "minimum guarantee amounts"), "*the equitable definition, of a reduction not higher than 5 per cent of the sums still payable by the concession holders, pursuant to said Presidential Decree no. 169 of 1998, with identification of the methods of payment of such amounts, and adjustment of the guarantees*".

On July 20, 2012, an application was made to the Lazio Regional Administrative Court for the interim suspension and subsequent cancellation of those requests of payment.

Following the hearing on September 12, 2012, the Second Section of the Lazio Regional Administrative Court ruled that the notices amounted to simple offers of settlement, and did not have the effect of further requests, where not accepted by the concession holder. This interpretation of the requests received and the underlying Law Decree 16/2012 leaves the Company open to defend any attempt to that the ADM might pursue for a forced collection of the amounts; on the other hand, confirms the suspension of similar requests that the ADM issued on December 30, 2011, already suspended on an interim basis by the same court, in order no. 1036/2012.

Additional reasons have also been proposed for the further request of guaranteed minimum amounts in connection with the bet concession no. 426, similar to those previously contested, but which was notified by the ADM only on August 7, 2012.

At the hearing scheduled for December 5, 2012, together with that already fixed in connection with the appeals against the previous orders to pay the minimum guaranteed amounts, the Court reserved the decision.

Through ruling no. 1054, deposited on January 30, 2013, the Court's second section upheld SNAI's arguments concerning alleged breach of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered suspension of the proceedings, and passed matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012 for lack of interest in the lawsuit.

For the entire duration of the proceedings before the Constitutional Court, the suspension of the proceedings continues to operate, to the benefit of SNAI, preventing the ADM from enforcing the requests. The hearing before the Court was held on October 8, 2013 and the decision was upheld.

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

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

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

At its hearing on June 6, 2014, the Second Section of the Lazio Regional Administrative Court took on both cases for ruling.

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

ADM filed no appeal and no payment claims were made by the ADM for the years after 2012, also by reason of the fact that concessions, to which the guaranteed minimum amounts are related, have expired and have been replaced by new concession holders who are not related to the ADM.

The Group, supported by the advice of its legal advisers, considers that the risk of an unfavourable outcome is remote.

Legal proceedings related to the 2015 Stability Law

Administrative proceeding

The 2015 Stability Law set out that the Group had to pay the Stability Tax on a prorata basis. The proportional share of the Stability Tax for concession holders and operators of VLTs and AWP for 2015 is defined by the directorial execution order, Art. 1, par. 643, letter l) of the 2015 Stability Law issued by the ADM (the "**ADM Decree**"). Pursuant to the 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWP are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWP under concession license, regardless from the fact that these machines are managed directly by the concession holder.

Concession holders are bound to pay their share of Stability Tax, as provided for by the ADM Decree and to ask for related contributions from partners who manage VLTs and AWP upon concession license. Pursuant to the ADM Decree, the amount of the Stability Tax due to the SNAI Group for 2015 was determined, on a prorata basis, for an amount of Euro 37.8 million to be paid in two instalments: 40% of the total within April 30, 2015 and the remaining 60% within October 31, 2015. Pursuant to requirements set out by the 2015 Stability Law and the ADM Decree, (i) the SNAI Group instructed its partners to pay their share of Stability Tax proportionally to the number of VLTs and AWP managed upon concession licenses granted to them by the SNAI Group and (ii) tried to renegotiate the terms and conditions of agreements that govern its trade relations in order to include some of the technical changes set forth by the 2015 Stability Law.

On February 13, 2015 (together with other concession holders of VLTs and AWP), SNAI appealed against the ADM Decree before the Lazio Regional Administrative Court ("**TAR**"), also objecting that the section of the 2015 Stability Law which set out the Stability Tax was an infringement to the Italian Constitution and the EU regulation, and that, based on the wording of the rule, the 2015 Stability Law did not envisage that concession holders had to pay and Stability Tax based on the number of machines managed by commercial partners in relation to their license; the concession holder is not able to collect this share in advance from these operators. The partners, to whom the Group has required to pay the corresponding share of Stability Tax, based on the VLTs and AWP managed by them through the Group concessions, adhered to the appeal against the ADM Decree by filing a cross-claim with respect to SNAI on both the payment request and the renegotiation of contract terms and conditions governing the related commercial relations. The plaintiffs asked for an urgent order to suspend the payment of the Stability Tax, while awaiting the sentence on the merit, which was rejected by the TAR Court with order no. 1461 of April 2, 2015.

The hearing for the discussion on the merits of claims was held on July 1, 2015. As a result of this hearing, the Second Section of the TAR Court, with council order no. 9747 of July 20, 2015, ordered the acquisition of investigation documents by the ADM and SNAI, especially on the corporate accounts regarding the extent of wagers managed through gaming machines. Therefore, the Court further adjourned the hearing to October 21, 2015.

Meanwhile, by reason of the fact that no new regulations were envisaged to settle the critical issues already highlighted by SNAI and the other concession holders, and that payments due by operators are still widely unsettled, SNAI and the other concession holders filed a new interim application. The Second Section of the Lazio Regional Administrative Court fixed the discussion of the matter at the hearing of October 21, 2015, already scheduled for the discussion on the merits of the notice of appeal to challenge that measure.

With order no. 4523, on October 22, 2015 the Second Section of the Lazio Regional Administrative Court rejected the interim application, as filed again by SNAI and the other concession holders, and reserved on the decision.

With appeal filed before the Council of State, SNAI asked for the reformulation of the interim order no. 4523, issued by the Regional Administrative Court, after granting of presidential interim measures as per Art. 56 of the "Administrative process code", concerning the suspension of the payment, upon maturity term of October 31, 2015, (at least) for the portion referred to the amount that SNAI did not receive from third-party operators in the wagers segment. With order no. 4939 of October 30, 2015, the Chairman of the IV Section of the Council of State rejected the interim application. The hearing of the Court, originally scheduled on November 24, 2015, was postponed to December 1, 2015.

With order no. 5375 of December 2, 2015, the Council of State rejected the interim appeal.

With order no. 14140, published on December 16, 2015, the Second Section of the Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 1, par. 649 of Law no. 190/2014, with respect to Art. 3 and 41, par. 1 of the Constitution, while accepting the defence objections filed by SNAI and that highlighted the lack of proportion and reasonableness of the reduction in remunerations, thought to guarantee the Inland Tax Office a fixed amount from profits made by the segment of legal gaming through gaming machines, regardless of the actual performance of wagers.

The interim judgement before the Constitutional Court will be formally made after the transfer of the proceedings to the Council by the Lazio Regional Administrative Court, with following publication of the order on developments in the Official Journal, Special Section of the Constitutional Court.

Meanwhile, the judgement before the Lazio Regional Administrative Court will be suspended.

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

Civil case (SNAI vs. Acilia Games S.r.l.)

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

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

(b) assessing that the concession holders carried out illegal actions resulting from anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependence and/or abuse of right. To this purpose, stopping the concession holders to perform such actions under penalty of payment of Euro 10,000 for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

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

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

(e) assessing that concession holders are bound to renegotiate in good faith the agreements, and order them to do so without imposing unilateral terms and conditions. To this effect, concession holders should be ordered to pay the amount of Euro 10,000.00 for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

SNAI appeared in Court in due form for the first hearing scheduled on May 9, 2016. The plaintiffs submitted notes aimed at partially modify the requirements submitted in the introductory claim, re-tuning them based on the interpretation of the 2016 Stability Law, but in a way which is contrary to the *ratio legis* aimed at defining the proposal submitted by concession holders.

Together with the defendants of all the other concession holders summoned, SNAI objected the above-mentioned notices, underlying all exceptions and requests included in the defensive deeds concerning preliminary issues (in particular, the issue of jurisdiction). The Company also asked for the granting of a longer period of time to examine and draw up counter-claims, regardless of the first hearing rights.

Given the objective and subjective complexity of the proceeding, the Judge reserved on the ruling of all preliminary issues and granted the concession holders with twenty days to draw up counter-claims related to the notices deposited by plaintiffs. Upon lifting his reservation, the Judge granted only the legal terms to the parties, as per Art. 183, par. 6 of the Italian Code of Civil Procedure, as from September 1, 2016, and scheduled the hearing for the continuation of the case on December 5, 2016.

In the opinion of the legal advisers, given the fact that the plaintiff's claims are groundless, and have already been rejected during the appeal filed by the same as per Art. 700 of the Italian Code of Civil Procedure, the risk of an unfavourable outcome is remote.

Legal proceedings related to the 2016 Stability Law

Administrative proceeding

With appeal deposited before the Lazio Regional Administrative Court (TAR), RO.MA. Srl (together with other 33 operators of the legal gaming segment) objected - without submitting a suspension request - some administrative deeds issued by the ADM in execution of Art. 1, par. 918, 922 and 943 of Law no. 208 of December 28, 2015 ("2016 Stability Law"), as well as the above-mentioned primary rules with respect to their contents, while asking the Judge to cancel them and/or declare their incompatibility with the Italian Constitution and European Regulations.

The objected measures concern the rules on legal gaming through AWP's included in the 2016 Stability law (with main focus on the creation of the so-called "substitute approval", i.e. rights to legally use AWP's in legal gaming. These approvals can be asked for and obtained only in replacement of an already owned approval, without increasing the overall number of machines). With regards to these rules, the claimants express various issues of illegality, also against principles set out by the Constitution and the European Community. The objected measures also concern the higher PREU rate increased to 17.5% of wagers through AWP's, with possibility to reduce the payout to players to 70% of the total.

With the legal help of its attorneys, SNAI will appear in Court to support the contested rules, albeit it is well aware that (i) the claimants did not ask for defence on an interim basis (ii) the hearing on the merits has not been fixed yet and (iii) the contested measures have been executed and/or are being executed by the concession holders and other operators of the segment.

SNAI then received notice on further reasons, submitted by the claimants to support the original objection, after receiving the ADM's circular letter dated April 12, 2016. The Company therefore has now submitted the request of suspension on an interim basis. On July 6, 2016 the Council met to discuss on the issues and, after this meeting, the Second Section of the Lazio TAR deemed it appropriate not to express any sentence on the request of suspension, and fixed only the public hearing for the discussion on the merits on February 22, 2017.

At the moment, the risk connected with the favourable outcome of the legal suit instituted by the operators of the segment is the cancellation, or non-execution of the contested measures and can be deemed as remote.

Penalties for exceeding the AWP quotas

Following the demand formulated by the ADM on June 22, 2012 regarding the information about the locations of the AWP's that were presumably observed to have exceeded the limits set by the rules on quota restrictions in force at the time, determined by the presence of machines concerning several concessionaires in the months of January-August 2011. In its memorandum of January 31, 2013, SNAI requested that the anomaly be corrected, while at the same time cancelling the payment order formulated by the ADM as a form of self-remedy. In light of that evidence, the amount of Euro 1.470 million has been provisioned to provide full coverage for any risks this may represent. Lastly, the ADM further asked the payment of the entire amount by October 31 and SNAI, due to the huge amount of checks functional to the payment and in agreement with other concession holders, on the one hand filed a formal request for cancellation of such notices, as a form of self-remedy to the payment claim, and on the other hand objected such order before the Administrative Court.

We are awaiting the dates to be set for the hearing on the discussion of the appeal.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007: The company Omniludo S.r.l. sued SNAI, alleging a breach of obligations under an existing contract between the parties for the "management, maintenance and assistance by Omniludo S.r.l. for slot machines" (the "Contract of June 29, 2005", petitioning the court:

to accept and declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated June 29, 2005; to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.

The case was investigated and the hearing was postponed to December 12, 2010, to allow for clarification of the pleadings and then postponed again ex officio to July 17, 2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (Case no. 4810/2010 described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10).

By order of February 10, 2012, the Court lifted its reservation made at the hearing of June 17, 2011, and the Judge forwarded the case to the President of the section for combination of the lawsuits or the reassignment of lawsuit 4810/2010 to Mr. Capozzi, who had investigated the first proceedings.

- Case no. 4810/2010. By the writ of summons served on November 16, 2010, SNAI S.p.A., in light of the grossly negligent breach of obligations under the Contract of June 29, 2005, sued Omniludo S.r.l. before the Court of Lucca, petitioning the Court as follows:
 - 1) to find and declare Omniludo S.r.l. to be in breach of trust and of the obligations under the aforementioned contract;

- 2) to find and declare the Contract of June 29, 2005 to be terminated on the grounds of Omniludo S.r.l.'s serious breaches of its contractual and statutory obligations;
- 3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter "c.c.p.") to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the Presiding Judge of the Court of Lucca, who scheduled the trial for January 7, 2011.

The case was investigated and the hearing was postponed to December 11, 2013.

By order of March 12, 2012, the Presiding Judge of the Court ordered that the case 4194/07 be convened jointly with case 4810/201010 at the hearing of December 11, 2013, before Judge Frizilio with a view of their possible consolidation.

The aforementioned ruling was appealed by Omniludo S.r.l. on April 2, 2012. The Presiding Judge of the Court, holding that the substantive requirements were met for grouping of the proceedings, ordered on June 26, 2012, that the case be referred to Judge Frizilio for the purposes of arranging the consolidation and clarification of the pleadings.

Indeed, at the hearing of December 11, 2013, the Judge decided on the grouping of all pending proceedings for the case no. RGNR 4194/2007 and on the postponement of the hearing on March 17, 2014. Once the conclusions had been specified, the judge indicated the deadlines for submission of the closing briefs.

With ruling no. 1772/2014, the Judge rejected the claim for damages filed by Omniludo S.r.l. and the cross-claim filed by SNAI. On the one side, the sentence acknowledged the existence of an exclusive covenant in favour of Omniludo S.r.l. (while acknowledging its claims on a theoretical basis), but on the other side, the Court rejected the claim of damages for lack of evidence on the extent of damage suffered.

With deed of summons for the appeal, served on May 28, 2015, the company Omniludo S.r.l. in liquidation, objected the sentence no. 1772/2014 of the Lucca Court before the Court of Appeal of Florence, summoning SNAI to the hearing of October 15, 2015 – set for November 26, 2016, by Decree of the President of the Arbitration Panel, Section I - and asking that the same be ordered to pay all damages incurred by Omniludo S.r.l. due to the breach of the exclusive right envisaged by the agreement in force between the parties, in the amount of Euro 111,250,000.00, or in other amount set out by the Court.

With the legal support of its attorneys, the Company is evaluating the notice of appeal received from Omniludo S.r.l., and will appear in Court in due terms with a cross-appeal. Based on the opinion of one of the attorneys charged by the Company for the first instance judgement, it can be considered (i) that the risk of an unfavourable outcome is mitigated by the decision of the Company to cross-appeal the ruling where the Judge upheld the existence of an exclusive clause in favour of Omniludo S.r.l., albeit the same Judge issued no sentence on the invalidity request of such clause submitted by SNAI and (ii) the amount related to this clause is expected to be lower compared to the plaintiff's request. The level of this risk, however, cannot be considered as remote.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. SNAI appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless. Following the hearing on February 15, 2013, the Investigating Judge ordered the translation of foreign-language documents filed by Ainvest. The case was assigned to another judge on June 7, 2013, who postponed the hearing until October 11, 2013. In the meantime, AINVEST filed a petition for the revocation of the ordinance for the translation of the documents into English. At the hearing of October 11, 2013, the Judge ordered the appointment of an interpreter, setting the new hearing on May 16, 2014.

At that hearing, the Judge ruled that the documents were to be translated, allowing the court appointed expert 180 days in which to carry out the appraisal (beginning from June 16, 2014) and postponing the hearing for the examination of the appraisal to February 27, 2015. At this hearing the Judge postponed the case to June 16, 2015 to discuss the preliminary claims. At that hearing, the preliminary claims were discussed and the Judge postponed the case to hear the witnesses to December 2, 2015 and January 27, 2016, where some witnesses indicated by the parties were excluded. Upon request of both parties, the Judge scheduled another hearing on June 8, 2016, for the examination of other witnesses, and postponed the hearing on July 17, 2017.

Based on the opinions of their legal advisers, the Directors assessed the risk of losing the case as more than possible.

Potential assets: Receivables from the Di Majo Award

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

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

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

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

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

At the trial scheduled for December 14, 2012, the judgement on the case was reserved.

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

The ADM addressed a formal legal query to the State Attorney General regarding the memoranda sent by AssoSNAI and informed AssoSNAI that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.

To date, the settlement agreement has not yet been signed.

Offsetting of the accounts receivable from the Di Majo Arbitration has already been authorised by a decree issued by the ADM in any case, and SNAI has arranged for such offsetting in the amount of Euro 2,498 thousand regarding the receivables directly attributable to SNAI as concession holder.

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

With ruling no. 2626 of November 21, 2013, the Court of Appeal in Rome sentenced that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence.

SNAI appealed (service on May 21, 2014 and submission to the Supreme Court (Cassation) thereafter on June 10).

To date, we are awaiting the dates to be set for the hearing on the discussion of the appeal.

Allegations by the ADM regional offices related to the 2006 PREU

This dispute regards 41 notices issued by the regional offices of the ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine. The aggregate amount of Penalties and PREU claimed is Euro 786,876.85 (Euro 193,427.76 in penalties + Euro 593,449.09 in PREU) plus interest.

SNAI has filed an appeal with the appropriate Provincial Tax Commission (CTP) against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:

- in relation to 4 notices of assessment, the ADM issued a decision for their cancellation as a form of self-remedy (and setting aside);
- in relation to 1 proceeding, the suspension was accepted and appropriate CTP, after the hearing, rejected the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional Tax Commission. The hearing on the merits was held on April 20, 2015, and at that date, upon lifting of its reservation, the CTR rejected SNAI's appeal and confirmed the assessment notice; SNAI did not appeal to the Supreme Court (Cassation);
- for 15 proceedings, the hearings on the merits and suspension of provisional enforceability as of June 5, 2013 have been accepted and on July 24, 2013 the Court lifted its reservation and rejected the appeal filed by SNAI. Based on the above-mentioned rulings, SNAI filed an appeal with the appropriate Regional Tax Commission. The hearings on the merits were held on June 11, 2015, and upon lifting of its reservation, the CTR rejected SNAI's appeal. SNAI did not appeal to the Supreme Court;
- for 1 proceeding, after accepting the suspension at the hearing of March 5, 2015, the CTP, upon lifting of its reservation made at the hearing on the merits, declared the appeal for incompetence as ineffective.
- for 1 proceeding, the hearings on suspension were held on December 12, 2014. Upon lifting of its reservation, the CTP rejected the suspension request. After various postponements, the hearing on the merits was held on February 16, 2016, at the end of which the Court reserved on the decision. Upon lifting its reservation, the CTP upheld SNAI's appeal with order deposited on June 7, 2016.
- for 18 proceedings, the judgement was issued upholding the appeals filed by SNAI, of which 3 were referred to the closing of the litigation. With reference to the remaining 15 sentences - all objected by the ADM before the Regional Tax Commission - rulings are still pending before the Supreme Court of Cassation by effect of the objections submitted by the ADM against the rulings of the Regional Tax Commission, which confirmed the first instance proceeding thus rejecting the ADM's request. With regards to the proceedings, a new hearing has to be set;
- for 1 proceeding, SNAI's appeal was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed. SNAI did not appeal to the Supreme Court (Cassation).

In the opinion of the legal consultants, the risk of an unfavourable outcome can be deemed as possible whenever sentences in the first and second instance and Cassation are pending.

Allegations by the ADM regional offices related to the 2007 PREU

This dispute regards 12 notices issued by the regional offices of the ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine. The aggregate amount of Penalties and PREU claimed is Euro 82,101.58 (Euro 49,683.24 in penalties + Euro 32,418.34 in PREU) plus interest.

SNAI has filed an appeal with the appropriate Provincial Tax Commission against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:

- in relation to 1 notice of assessment, the ADM issued a decision for their cancellation as a form of self-remedy (and setting aside);
- for 2 proceedings, the ruling has been issued upholding the appeals filed by SNAI with ruling no. 62/13. Two appeals before the competent Regional Tax Commission were filed. SNAI filed counter-appeals and the hearing is to be set;
- for 1 proceeding, the hearing for discussion was held on October 15, 2015, at the end of which the Court rejected SNAI's appeal with sentence filed on December 11, 2015. SNAI appealed before the Regional Tax Commission with deed notified on June 6, 2016;
- for 4 proceedings, the hearings for discussion on the merits and suspension of provisional enforceability were held on September 24, 2015, at the end of which the Court upheld SNAI's appeals with sentences filed on December 10, 2015; the ADM appealed before the Regional Tax Commission with deed notified on June 6, 2016;
- for 2 proceedings, upon lifting its reservation of October 16, 2014, the Court rejected SNAI's appeals with ruling 2231/2015;
- for 1 proceeding, the Court suspended the temporary enforceability of the assessment notice and a hearing on the merits was held on May 6, 2015, at the end of which the Court reserved on the decision. Upon lifting its reservation, the Court cancelled the assessment notice;
- for 1 proceeding, upon lifting of its reservation made at the hearing held on July 4, 2013, the Court rejected the suspension request and postponed the discussion on the merits to a new hearing. The hearing on the merits was held on July 2, 2015 and the Court, upon lifting its reservation, upheld the appeal with judgement 877/2015.

In the opinion of the legal consultants, the risk of an unfavourable outcome can be deemed as possible whenever sentences in the first and second instance and Cassation are pending.

Allegations by the ADM regional offices related to the 2008 PREU

This dispute regards eight notices and/or assessment notices issued by the regional offices of the ADM, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.

In particular:

- in relation to 2 notices, the amount of which is undetermined, for which SNAI filed defensive briefs before the appropriate Court. Given that the notice on the outcome related to the evaluation of defence deeds and the following assessment notice have not been delivered, the case can be considered as expired;
- in relation to six assessment notices (followed by four objections for which SNAI filed defensive briefs), for a total amount of approximately Euro 380,000.00, SNAI filed appeals against the above notices before the appropriate Courts. For 2 proceedings, the hearings were held on July 8, 2015 and October 5, 2015, respectively, at the end of which the Court rejected SNAI's appeals. SNAI filed an appeal with the appropriate Regional Tax Commission. For 1 proceeding, the hearing for discussion was held on June 24, 2016, the Court reserved on the decision; for 1 proceeding, the hearing for discussion was fixed on October 6, 2016; for the remaining 2 proceedings we are awaiting the dates to be set for the hearing on the merits and suspension.

In the opinion of the legal consultants, the risk of an unfavourable outcome can be deemed as possible whenever sentences in the first and second instance and Cassation are pending.

Notices served by Regional Offices for exceeding the AWP quotes

This relates to 163 notices served by various regional offices of the ADM, in which the ADM contested the installation of a number of AWP's exceeding the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of making a reduced payment and it is not yet determinable. Pending assessment of the individual position, SNAI provided and/or will provide as follows:

- to make a reduced payment for 65 disputes amounting to approximately Euro 38,600.00;
- to deposit defensive briefs related to 98 objections, resulting in the filing of 32 proceedings, while for the remaining 66 (for a total amount of approximately Euro 105,000.00) a reply by the ADM is still pending.

The risk of an unfavourable outcome can be deemed as possible when we are awaiting a reply by the ADM to the documents deposited by SNAI, or remote when the ADM issued a decision for cancellation as a form of self-remedy (and setting aside).

Quotes of October 2, 2012

Due to a malfunctioning on October 2, 2012, certain sporting events were offered and quoted, - for a few minutes only - with evidently incorrect quotes, in particular this related to Under/Over 5.5 and Under/Over, second half 0.5 bets.

Some players noticed the anomaly, took advantage of it and placed a series of straight and system bets, both on physical network and on-line through the website www.SNAI.it.

SNAI promptly informed the ADM on the situation prior to events relating to those bets.

Certain gamblers have filed legal actions to obtain payment of their winnings.

SNAI settled various disputes out of Court and is planning to settle the remaining proceedings in the same way. These costs were covered by using a provision for risks previously set aside.

After June 30, 2015, the Court of Rimini, with order pursuant to Art. 702 bis of the Italian Code of Civil Proceedings, agreed with SNAI's defence and rejected the claims of a player. The order was appealed and the first hearing was held on December 15, 2015. SNAI appeared in Court in due terms, while objecting that the plaintiff's claims were groundless and the case was postponed on May 19, 2020, for discussion.

At present, the risk of an unfavourable outcome is remote given the complexity of the grounds of the sentence.

Consistency assessments of the gaming systems and VLT gaming machines - amount related to the 2013-2015 three-year period

With notice of June 23, 2016, the ADM - Gaming Machines Office - asked SNAI to pay Euro 271,446.97 to cover costs for the consistency assessments on gaming systems and VLT gaming machines performed by the technological partner SOGEI S.p.A. in the three-year period from March 20, 2013 to December 31, 2015, in relation to which the ADM made annual prepayments in favour of SOGEI S.p.A.

Considering the fact that the above-mentioned notice did not allow for the inclusion of the adopted quantification criterion, with notice 884/2016/PU VLT of July 13, 2016, SNAI submitted the request (i) to obtain a copy of all documents related to the aforesaid quantity (ii) to start a negotiation with the ADM and (iii) to obtain the suspension of the payment terms.

FORMER COGEMAT GROUP

Proceeding on reporting procedures

Following the request of AAMS, the Court of Auditors, based on the assumption that concession holders of the remote network are "accounting agents" (i.e. persons who, through contracts or by reason of their service tasks for the entity, are in charge of the accounts as envisaged and governed by the accounting standards of the entity), asked for a proceeding on reporting procedures for the Company for the entire validity of the Concession convention.

Meanwhile, the regional public prosecutor at the Court of Auditors notified Cogetech S.p.A. of a claim under article 46 of Royal Decree no. 121/1934, and an application under article 41 of the Royal Decree 1038/1933, highlighting the nature of the role of accounting agent played by the Company and the fact that the latter was bound to present a "court account". The notice also included the request that the concession holder to be sentenced, for the failure to present the aforesaid court account within the terms, to the payment of the penalty, as set forth by Art. 46 of the Royal Decree no. 1214/1934 with reference to years 2004/2005, equal to Euro 94,021,059.16, and with reference to year 2006, equal to Euro 89,620,715.23. With reference to years from 2007 to the expiration date of the concession, as per Art. 278 of the Italian Code of Civil Procedure, the Company was asked to pay a general fine to the extent that it will be paid by the agent for the formation of the official account.

Following the hearings held and the documents filed, the non-condemnation judgement was expressed with sentence no. 11891/2012. The Prosecutor's appeal was filed against the non-condemnation judgement. Cross-appeal by Cogetech against the sentence in the portion where the nature of accounting agent is stated for concession holders. The hearing for discussion, held on July 3, 2014 on sentences no. 45471 (Prosecutor's appeal) and 45573 (our cross-appeal), against the non-condemnation sentence no. 1189/2012 for the non-presentation of the court account within the pre-set terms. With sentence no. 948/2014, the Appeals Section of the Court of Auditors ordered Cogetech S.p.A. to pay the amount of Euro 4,000.00 (four thousand euro), plus interest and legal fees. On July 2, 2015, the Administration notified the sentence 373/2015 containing the order to pay Euro 4,854.02 within 30 days. The Company promptly provided for the payment and therefore the proceeding can be deemed as settled. The updating is however supplied for sake of clarity, also in view of the strict connection between the above-mentioned sentence and the sentence on accounts described hereunder.

Sentence on accounts

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

This sentence, still pending before the Court of Auditors, Lazio Section, concerns the alleged non-endorsement of judicial accounts for the years 2004/2009 (the endorsement is made by the Court of Auditors through the reporting director, charged by the Board of Statutory Auditors, and consists in an audit, both formal and on accounts, of items reported in the statements transmitted to the Administration). The first instance of judgement ended with a sentence indicating the impossibility of taking further proceedings and the transmission of deeds to the Regional Prosecutor for

the assessment of any administrative responsibilities. Cogetech filed an objection against this sentence before the Court of Auditors' First Section. With sentence no. 373/2015 of June 8, 2015, this Court cancelled the objected sentence deeming that the case could not be concluded with a sentence indicating the impossibility of taking further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the sentence ordered that the Lazio Regional Section reviewed the audit in order to reach a final decision whether to discharge or not from the accounts, the items that were not equivalent (the related amount is unavailable). Upon order of the Appeals Section of the Court, all documents related to judicial reporting, already returned to the ADM, were retransmitted to the Lazio Regional Section. The appeal ruling being executed, the case continued before the Lazio Regional Section of the Court. The case is awaiting the judicial proceeding acts from the public prosecutor. The appeal ruling being executed, the case continued before the Lazio Regional Section of the Court. The case is awaiting the judicial proceeding acts from the public prosecutor.

For this reason, the risk for an unfavourable outcome of the case is believed to be very remote by the legal advisers of Cogetech.

Objection deed against penalties set out due to the unfulfilment of the service levels concerning the management of gaming machines VLT (Lazio Regional Administrative Court)

On December 2, 2013, the ADM claimed that Cogetech S.p.A. unfulfilled the service levels as per letters e) and f) of Attachment 3-ter regarding the management of VLT gaming machines for a total penalty of Euro 195 thousand. The request for access to the records was filed on December 9, 2013. Notice from the ADM, official reg. no. 2791/2013 dated December 20, 2013, filed within the terms for the lodging of appeals. We are awaiting that Sogei takes from the ADM database the data required by the concession holder. Notice of May 5, 2014, in which the ADM adjusted the amount related to the objection by reducing it to Euro 45 thousand. The request for adjustment, based on the request to access to the records, was prepared and lodged. Following the ADM notice dated December 17, 2014, reporting the availability of data required, the records were viewed on December 18, 2014. The counter-claims were drawn up and sent on January 16, 2015. On August 7, 2015, the ADM served Cogetech with the penalty for unfulfilment of the service levels concerning the management of VLT gaming machines (for the period between January and August 2012), for the amount of Euro 44,759.00. The Company prepared and filed an appeal against the above-mentioned order. A new hearing has to be set.

The ADM notices dated February 11, 2014, regarding the Bersani Concession Conventions no. 4304 and 4011 (Lazio Regional Administrative Court)

With 8 notices dated February 11, 2014, the ADM required Cogetech S.p.A. to pay the total amount, including interest and penalties, of Euro 90,272.17 for the late weekly settlements related to Bersani concessions under discussion. The appeal was filed.

On May 9, 2014, 5 notices were sent in which the ADM required Cogetech to pay penalties for the late weekly settlements in the months of April, July and September 2010, for a total amount of Euro 13,413.17. The appeal was prepared.

On June 26, 2014, 4 notices were sent to Cogetech in which the ADM required Cogetech to pay penalties for the late weekly settlements in the months of March 2009, May, August and October 2010 and January 2011, for an amount of around 25,000.00, plus interest. The appeal was prepared, and a new hearing has to be set.

On September 25, 2014, further 8 fines were sent, for an amount of around Euro 23,000.00, for the late weekly settlements of the Bersani concessions for the year 2011 (October, April, May and September). The Company prepared and filed an appeal against the above-mentioned orders. A new hearing has to be set.

2011 quotes - shared premises

With notice dated June 21, 2012, ASM required the concession holders to pay, on a prorata basis according to the number of gaming machines that they were formally managing, the amount of Euro 300 for the machines that, at completion of the survey (related to the period from January to August 2011), were exceeding with respect to the law on applicable quotas. The total amount for Cogetech amounted to Euro 2 million.

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

It is worth noting that further investigation was carried out by the ADM concerning any breach of the law on quotas after August 2011. To this purpose, it is also noted that, with the ADM notice of July 11, 2014, the Lombardy Local Directory required the payment of Euro 273,000 for the non-payment of the amount as provided for by Art. 1, par. 81, lett. d) of Law 220/2010, always in relation to the period from January to August 2011. By reason of the above, Cogetech prepared and filed a counter-appeal to the notice.

The risk of an unfavourable outcome can be deemed as merely possible, taking account of the investigation performed by the ADM and the novelty of the issue.

Order from the ADM, official reg. no. 2011/2876/Strategie/UD (Lazio Regional Administrative Court)

The objection against the order in question, dated October 12, 2011, saw the modification of the PREU tax by 6%, as from January 1, 2012, on the portion of winnings exceeding Euro 500. The Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 10, par. 9 of Decree Law 16/2012. The hearing was fixed before the Constitutional Court on June 10, 2014. A notice by the ADM of May 12, 2014 required taxation to begin on June 3, 2014. On June 9, 2014, notice was sent related to the ADM decree on the starting of taxation as from the fifteenth day after the lodging of the sentence of the Constitutional Court on resolution of the dispute (hearings on discussion of June 13). Following the sentence of the Constitutional Court on the breach of the Italian Constitution, a hearing on the merits is still to be fixed (as provided for in the first hearing after the sentence of the Court) by virtue of the appeal filed against the so-called Ferrara decree on further suspensions proposed on that occasion.

Stability Law, Art. 1, par. 649 Law 190/2014 and the ADM Decree of January 15, 2015

In execution of Art. 1, par. 649 of the 2015 Stability Law, and pursuant to the implementing the ADM Decree, the amount of the Stability Tax due by Cogetech for 2015 was determined in the amount of Euro 47,040,018.54, to be paid in two instalments of a different amount in the months of April 2015 (40% of the total amount) and October 2015 (for the remaining 60%).

On February 9, 2015, Cogetech objected the 2015 Stability Law and the implementing the ADM Decree before the Lazio Regional Administrative Court, with concurrent request of suspension of the sentence and submission of the issue to the Constitutional Court. With regards to the above sentence, a first order was sent by the Lazio Regional Administrative Court, which, although not objecting the grounds of the objection, deemed the periculum in mora for the granting of the interim measure as groundless (order no. 1475 of April 2, 2015, rejecting the request of the suspension of the payment of the first instalment). The investigation order then followed, in which the Regional Administrative Court wanted to check the impact of this payment on the financial statements of the concession holders (Ord. no. 9777 of July 20, 2015).

The Regional Administrative Court then rejected the request of suspension related to the payment of the second instalment, still without objecting the grounds of the appeal, but limiting its attention on the fact that the periculum in mora was deemed as groundless, in relation to the fact that the regulation envisaged that the payment had to be apportioned to the entire segment (Ord. of TAR no. 4526 of October 22, 2015).

Lastly, the Regional Administrative Court has however acknowledged the grounds of the objection, and submitted the various issues on the alleged breach of the Constitution of Art. 1, par. 649 of the 2015 Stability Law to the Constitutional Court.

With appeal filed before the Council of State, Cogetech asked for the reformulation of the interim order no. 01475, issued by the Regional Administrative Court, after granting of presidential interim measures as per Art. 56 of the "Administrative process code", concerning the suspension of the payment, upon maturity term of October 31, 2015, (at least) for the portion referred to the amount that SNAI did not receive from third-party operators in the wagers segment. With order of October 30, 2015, the Chairman of the IV Section of the Council of State rejected the interim application. The hearing of the Court, originally scheduled on November 24, 2015, was postponed to December 1, 2015.

With order no. 5377 of December 2, 2015, the Council of State rejected the interim appeal.

With order no. 14139, published on December 16, 2015, the Second Section of the Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 1, par. 649 of Law no. 190/2014., with respect to Art. 3 and 41, par. 1 of the Constitution, while accepting the defence objections filed by SNAI and that highlighted the lack of proportion and reasonableness of the reduction in remunerations, thought to guarantee the Inland Tax Office a fixed amount from profits made by the segment of legal gaming through gaming machines, regardless of the actual performance of wagers.

The interim judgement before the Constitutional Court will be formally made after the transfer of the proceedings to the Council by the Lazio Regional Administrative Court, with following publication of the order on developments in the Official Journal, Special Section of the Constitutional Court.

Meanwhile, the judgement before the Lazio Regional Administrative Court will be suspended.

In its turn, Cogetech: (a) determined the amount of Euro 1,207.27 per each machine operated by the segment, (b) defined and communicated the amount charged to each single operator within its segment, proportionally to the distribution of remuneration. Some operators objected to the payment and filed a lawsuit; (c) objected in Court the legitimacy of the 2015 Stability Law and subsequent deeds; (d) on April 30, 2015, while settling the dispute, the Company paid to the ADM the agreed amount of Euro 12,228,477.00, and authorised the latter to temporarily withhold, as a down payment to the second instalment to be paid on October 31, 2015, the residual portion of the first instalment (Euro 6,587,530.42) from the amounts due to the Company in relation to the refund of the guarantee deposit, equal to 0.5% of wagers for 2014; (e) on November 2, 2015, paid to the ADM the amount of Euro 5,123,891.37, equal to the sum of the amounts pertaining to the concession holder itself and of the amounts paid by the third-party operators in the

segment in relation to wagers, net of the above-mentioned prepayment of Euro 6,587,530; (f) for the period from November 2, 2015 to December 31, 2015, paid the amounts that were collected on delay from the segment and totalling Euro 3,174,627.

With the timing agreed upon with the ADM, the Company reported on the operators that did not pay the amounts due. The risk of a possible negative outcome can be deemed as possible, with a possible confirmation of the structure set out by the regulation in force.

Civil proceeding

With writ of summons notified on December 17, 2015, pursuant to Law no. 53 of 1994, Acilia Games S.r.l. (together with other 436 operators of the segment of legal gaming) sued Cogetech (together with other concession holders of legal gaming, including SNAI) with the following conclusions:

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

(b) assessing that the concession holders carried out illegal actions resulting from anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependence and/or abuse of right. To this purpose, stopping the concession holders to perform such actions under penalty of payment of Euro 10,000 for each alleged breach and for each single operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

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

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

(e) assessing that concession holders are bound to renegotiate in good faith the agreements, and order them to do so without imposing unilateral terms and conditions. To this effect, concession holders should be ordered to pay the amount of Euro 10,000.00 for each breach of this sentence and for each operator, pursuant to Art. 614 of the Italian Code of Civil Procedure.

Cogetech appeared in Court in due form for the first hearing scheduled on May 9, 2016. The plaintiffs submitted notes aimed at partially modify the requirements submitted in the introductory claim, re-tuning them based on the interpretation of the 2016 Stability Law, but in a way which is contrary to the *ratio legis* aimed at defining the proposal submitted by concession holders.

Together with the defendants of all the other concession holders summoned, Cogetech objected the above-mentioned notices, underlying all exceptions and requests included in the defensive deeds concerning preliminary issues (in particular, the issue of jurisdiction). The Company also asked for the granting of a longer period of time to examine and draw up counter-claims, regardless of the first hearing rights. Upon lifting his reservation, the Judge granted only the legal terms to the parties, as per Art. 183, par. 6 of the Italian Code of Civil Procedure, as from September 1, 2016, and scheduled the hearing for the continuation of the case on December 5, 2016.

Given the objective and subjective complexity of the proceeding, the Judge reserved on the ruling of all preliminary issues and granted the concession holders with twenty days to draw up counter-claims related to the notices deposited by plaintiffs.

In the opinion of the legal advisers, given the fact that the plaintiff's claims are groundless, and have already been rejected during the appeal filed by the same as per Art. 700 of the Italian Code of Civil Procedure, the risk of an unfavourable outcome is remote.

Legal proceedings related to the 2016 Stability Law

Administrative proceeding

With appeal deposited before the Lazio Regional Administrative Court (TAR), RO.MA. Srl (together with other 33 operators of the legal gaming segment) objected - without submitting a suspension request - some administrative deeds issued by the ADM in execution of Art. 1, par. 918, 922 and 943 of Law no. 208 of December 28, 2015 ("2016 Stability Law"), as well as the above-mentioned primary rules with respect to their contents, while asking the Judge to cancel them and/or declare their incompatibility with the Italian Constitution and European Regulations.

The objected measures concern the rules on legal gaming through AWP's included in the 2016 Stability law (with main focus on the creation of the so-called "substitute approval", i.e. rights to legally use AWP's in legal gaming. These approvals can be asked for and obtained only in replacement of an already owned approval, without increasing the overall number of machines). With regards to these rules, the claimants express various issues of illegality, also against principles set out by the Constitution and the European Community. The objected measures also concern the higher PREU rate increased to 17.5% of wagers through AWP's, with possibility to reduce the payout to players to 70% of the total.

With the legal help of its attorneys, Cogetech will appear in Court to support the contested rules, albeit it is well aware that (i) the claimants did not ask for defence on an interim basis (ii) the hearing on the merits has not been fixed yet and (iii) the contested measures have been executed and/or are being executed by the concession holders and other operators of the segment.

Cogetech then received notice, submitted by the claimants, to supplement the original objection, after receiving the ADM's circular letter dated April 12, 2016. Therefore, the Company has now submitted the request of suspension on an interim basis. On July 6, 2016 the Council met to discuss on the issues and, after this meeting, the Second Section of the Lazio TAR deemed it appropriate not to express any sentence on the request of suspension, and fixed only the public hearing for the discussion on the merits on February 22, 2017.

To date, the concession holder has merely appeared before the Court in order to attend the proceeding and be able to collect the documentation deposited by other parties.

As other elements are missing, it is not possible to define a specific risk of an unfavourable outcome, albeit it can be currently expected to be merely possible.

Further evaluation on this issue will be possible on the occasion of the hearing on the merits of February 22, 2017.

Guaranteed minimum amounts for horse races - Cogetech S.p.A. (Lazio Regional Administrative Court)

The order of December 23, 2011, off. reg. no. 2011/51060/Giochi/SCO on the horse race concession no. 265, signed by the Customs and Monopoly Agency, was objected. The order comprised the following issues: "Supplements to the suspended guaranteed minimum amounts" and all other related and/or consequent deeds, for a total of Euro 53 thousand, as a supplement to the annual guaranteed minimum amounts for horse races, related to years 2006/2010. With interim order no. 524 of February 8, 2012, the Lazio Regional Administrative Court suspended the notice of December 23, 2011, fixing the hearing for discussion on December 5, 2012.

The following order of the ADM of June 15, 2012, off. reg. 2012/27169/Giochi/SCO, was objected with request of cancellation and payment of damages. In this order, the Administration, by substantially cancelling the previous request of November 23, 2011, ordered to provide for the payment within June 30, 2012, of the supplement to the annual guaranteed minimum amounts for the years 2008-2011, reduced by 5% pursuant to Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012, for a total amount of Euro 16 thousand.

At the hearing 5 December 5, 2012, the judgement on the case was still reserved. With order no. 1058/2013 of January 30, 2013, the Lazio Regional Administrative Court, second section, upheld the Company's arguments concerning alleged breach of the Italian Constitution. The proceeding was therefore suspended and the deeds were submitted to the Constitutional Court. The order of submission of deeds to the Constitutional Court was published on the Official Journal on May 15, 2013. Therefore, Cogetech filed its appeal within the legal terms (within 20 days from the publication of the order). The hearing for discussion before the Constitutional Court was held on October 8, 2013. With sentence no. 275 of November 18, 2013, the Constitutional Court assessed the breach of the Constitution of Art. 10, par. 5, letter b), of the Law Decree dated March 2, 2012, no. 16, converted, with amendments, by Law no. 44 of April 26, 2012, only to the wording "not higher than 5%". At the hearing of June 4, 2014, the judgement on the case was reserved. With ruling no. 7324/2014, lodged on July 10, 2015, the Lazio Regional Administrative Court cancelled all payment requests of the horse race guaranteed minimum amounts for the 2006/2011 years.

Deed of summons for Lottomatica Scommesse S.r.l., Boss Media AB, GTECH S.p.A. and the contract expert (Court of Rome)

The sentence is pending before the Court of Rome on the contract concerning the circuit platform, called "Pokerclub", from which the players of Cogetech had been suddenly excluded. The action, undertaken by Cogetech in May 2013, is aimed at obtaining the recognition (i) of the termination by right of the contract; (ii) of the liability of Boss Media AB (supplier of the software) and related termination of the contract; (iii) of the breach by Lottomatica Scommesse e/o Boss Media AB e/o Gtech S.p.A., and therefore (iv) it is aimed at ordering the summoned companies to pay damages in favour of Cogetech (preliminarily determined at around Euro 10 million).

The companies summoned appeared before the Court in due terms and objected the claims of Cogetech.

Moreover, Lottomatica Scommesse submitted a cross-claim while asking the assessment of the termination of the contract (occurred on March 28, 2013) through and by the fault of Cogetech, as well as the order for the latter to pay damages for around Euro 3 million, which would be incurred by Lottomatica Scommesse due to alleged breaches to the contract by Cogetech, mainly due to illegal recruitment of players on the circuit platform named "Pokerclub" and payments to players of bonuses higher than the network rules, always in the aim of the aforesaid illegal actions.

Gtech also submitted a cross-claim and asked the Court to order Cogetech to pay damages amounting to Euro 50,000.00.

Lastly, Boss media AB submitted a cross-claim while asking the assessment of the termination of the software license contract occurred at the same time as the termination of the Cogetech/Lottomatica Scommesse contract.

On May 26, 2016, the hearing was held for clarification of the pleadings and the Judge granted legal terms to the parties.

The risk of an unfavourable outcome can be considered as possible.

ROYAL GAMES S.R.L.

In 2011, an interim order (no. 21993/2011) was issued by the Court of Milan in favour of Cogetech for a receivable of Euro 1,392,043.64 concerning the amounts not paid by Royal Games S.r.l. with regards to the collaboration agreement on wagers from gaming machines as per Art. 110, par. 6 of the T.U.L.P.S., which was of that time in force between the parties and now terminated.

On November 20, 2015, Royal Games S.r.l., as opposing debtor, submitted a cross-claim for Euro 3,500,000.00 in the objection to the interim order, which is temporarily enforceable, obtained by Cogetech. The cross-claim submitted by Royal Games, for a total amount of Euro 3,500,000.00, is formulated as a claim for damage incurred by the same Royal Games for the shut-down of the Company which is alleged resulting from the termination of the contract by Cogetech. The next hearing is fixed on September 29, 2016.

In the opinion of the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

ROYAL GAMES S.R.L.

Objection (Court of Castrovillari): on May 17, 2011, Royal Games was served with the objection with cross-claim of Euro 195,306.98. At the hearing of November 17, 2011, the case was postponed until March 15, 2012, for admission of pre-trial motions, with granting of legal terms for the submission of briefs as per Art. 183, par. 6 of the Italian Code of Civil Procedure. At the hearing of June 21, 2012 (the case was postponed by decision of the Court), the Judge rejected the pre-trial requests submitted by Royal Games S.r.l. and by Forte and postponed the case at the hearing of July 18, 2013 for clarification of the pleadings. On that occasion, the Judge postponed the case to the hearing of June 19, 2014, always for clarification of the pleadings. At the hearing of June 19, 2014, the case was once again postponed for clarification of the pleadings to the hearing of March 27, 2015.

Once clarified the pleadings and submitted pleadings and briefs, with sentence of October 13, 2015 the Court of Castrovillari partially upheld the claim and determined the amount of the receivable (Euro 172,587.60). Royal and Forte were ordered to pay legal expenses. Royal objected the sentence. The hearing before the Court of Appeal of Catanzaro was fixed on September 15, 2016. The Company will appear before the Court in due terms.

The two proceedings are separate, albeit they relate to the same issue (unfulfillment by Royal Games).

Therefore, also for the sentence in appeal the risk of an unfavourable outcome can be considered as merely possible.

In any case, it should be noted that also for the above case Royal Games submitted a cross-claim for the amount of Euro 195,306.98.

Deviation in the pay out of winnings of VLTs "Book of Ra"

With notice no. 0000578/2016, dated May 12, 2016 (the "**ADM Note May 12, 2016**"), the ADM (Central Direction of Tax Management and Monopoly of Games) reported that a specific game, named "Book of Ra", included in the VLT gaming machines offered to the public by Cogetech, as concession holder of the on-line management of the legal games through gaming machines with winnings in money, is alleged to have paid out winnings lower than the values (expressed in percentage on the volumes of games) determined during the final tests by SO.GE.I. S.p.A., technological partner of the Entity granting the concession. This case, if finally assessed, in the opinion of the ADM would entail the obligation for Cogetech to pay out the (theoretically) exceeding amount retained from the gaming machines VLT, quantified in Euro 2,643,032.72, pursuant to the relevant contractual provision. However, the ADM does not order to pay back the amount but asks for the temporary allocation of the same as guarantee deposit at the State treasury.

Together with other Concession holders involved in claims similar to those included in the ADM's Notice of May 12, 2016, Cogetech requested and obtained a technical assessment in the presence of the ADM aimed at defining the modalities to determine and measure wagers both theoretical and actually reported with respect to the VLT gaming machine in question.

After a first preliminary meeting occurred on June 7, 2016, at the headquarters of the ADM, with notice no. 740/2016/PUVLT of June 9, 2016, Cogetech confirmed its willingness to continue the technical assessment, without strictly keep to the initial claims of May 12, 2016. This willingness was actually accepted by the ADM, which, with notice no. 56046 of June 13, 2016, formally accepted to create a working table with Concession holders and suppliers of the game platform, aimed at "*studying the methodological approach adopted*" to monitor and assess the deviation in wagers for the game under evaluation.

On the same occasion, the suspension was ordered of the terms for the creation of the guarantee deposit required with the ADM's notice of May 12, 2016, and any decision thereon will be taken at completion of the shared pre-trial proceeding.

In light of the context elements, especially of the developments of the technical and administration assessments performed, with the support of a legal expertise, the risk can be considered as reasonably remote for Cogetech to open a guarantee deposit, as indicated in the ADM Notice of May 12, 2016.

Above all and primarily, this conclusion is justified by the aforesaid results in the administrative discussion occurred, that are to be considered as well reassuring. In addition to the "formal" decision to suspend the terms for the creation of the guarantee deposit, the express "subordination" of any decision to the outcome of the pre-trial assessments underway is particularly important. The self-defensive reaction expressed by the attorney of the Company in the event the outcome of the aforesaid proceedings reports (the same or new) amounts to be paid by Cogetech.

Consistency assessments of the gaming systems and VLT gaming machines - amount related to the 2013-2015 three-year period

With notice no. 60192 of June 23, 2016, (“**ADM Note of June 23, 2016**”), the ADM - Gaming Machines Office - asked Cogetech to pay Euro 438,716.93 to cover costs for the consistency assessments on gaming systems and VLT gaming machines performed by the technological partner SOGEI S.p.A. in the three-year period from March 20, 2013 to December 31, 2015, in relation to which the ADM made annual prepayments in favour of SOGEI S.p.A. Considering the fact that the above-mentioned notice did not allow for the inclusion of the adopted quantification criterion, with notice 883/2016/PU VLT of July 13, 2016, Cogetech submitted the request (i) to obtain a copy of all documents related to the aforesaid quantity (ii) to start a negotiation with the ADM and (iii) to obtain the suspension of the payment terms.

AAMS Notice of October 17, 2013 on the interruption of the expiration of notices no.95279-95280- 95281-95282 of October 14, 2013.

AAMS asked the company Cogetech Gaming S.r.l. the payment of Euro 293,469.45, added with interest, as penalty envisaged by the Concession convention no. 4052, by reason of the late payment of the amounts due. The penalty is equal to 5% the amounts due for each day of delay. Briefs with request of cancellation were filed. The appeal was deposited, and a new hearing has to be set.

On September 25, 2014, three notices were served by the ADM with a payment request of around Euro 9,000 as penalty for the late payment of amounts due in relation of the concession convention, related to July 2011. The related appeals were prepared and submitted. A new hearing has to be set. On July 13, 2015, the ADM Milan asked the company Cogetech Gaming Srl to pay the amounts related to the notices already served (including amounts notified to the company Cogetech S.p.A.) within 30 days from the notice. In the negative, the guarantee will be collected. Against this notice, the Company filed a self-defensive claim for the cancellation/revocation of the proceeding and prepared, and deposited before the TAR, an appeal against the above within the deadlines defined by law.

In the opinion of the legal advisers, the risk of an unfavourable outcome is merely possible (albeit limited in the amount).

Objection before the Lazio Regional Administrative Court on the guaranteed minimum amounts

Cogetech Gaming objected all the ADM's notices, dated November 23, 2011, Off. Reg. no. 2011/51060/Giochi/SCO, concerning the following: “Supplements to the suspended guaranteed minimum amounts” and all other related and/or consequent deeds, for a total of Euro 2,785,654.36 thousand, as a supplement to the annual guaranteed minimum amounts for horse races, related to years 2006/2010. With interim order no. 524 of February 8, 2012, the Lazio Regional Administrative Court suspended the notice of December 23, 2011, fixing the hearing for discussion on December 5, 2012.

Cogetech Gaming S.r.l. also objected with request of cancellation and payment of damages, the following AAMS notices of June 15, 2012, off. reg.2012/27169/Giochi/SCO. In this order, the Administration, by substantially cancelling the previous request of November 23, 2011, ordered to provide for the payment within June 30, 2012, of the supplement to the annual guaranteed minimum amounts for the years 2008-2011, reduced by 5% pursuant to Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012, for a total amount of Euro 2,688,042.00.

At the hearing of December 5, 2012, the judgement on the case was still reserved. With order no. 1058/2013 of January 30, 2013, the Lazio Regional Administrative Court, second section, upheld the Company's arguments concerning alleged breach of the Italian Constitution. The proceeding was therefore suspended and the deeds were submitted to the Constitutional Court. With ruling no. 275 of November 18, 2013, the Constitutional Court assessed the breach of the Constitution of Art. 10, par. 5, letter b), of the Law Decree dated March 2, 2012, no. 16. At the hearing of June 4, 2014, the judgement on the case was reserved. With ruling no. 7324/2014, lodged on July 10, 2015, the Lazio Regional Administrative Court cancelled all payment requests of the horse race guaranteed minimum amounts for the 2006/2011 years. Meanwhile, the requests of the guaranteed minimum amounts for the year 2012, notified on June 14, 2013 (Euro 300,000.00), were objected. To date, the hearing on discussion has not yet been fixed.

However, after this notice, the Art. 10, par. 5 of the Leg. Decree no. 16/2012 was declared partly not compliant with the Constitution and therefore no collection order was executed or new payment request was made to date by the Entity.

PRESTIGE POTENZA S.R.L.S.

Writ of summons (Court of Milan)

Following the disposal by Cogetech Gaming S.r.l. of the business unit related to the agency in Turin, Corso Potenza, the assignee company did not fulfil its obligation as per the contract as it did not perform all activities required to manage and run the transferred business. Contrary to what *ex adverso* claimed, Cogetech Gaming promptly made available to the assignee all administrative documents that would permit to run the business. It therefore asked to terminate the sales contract in order to avert the incurrence of further costs.

The case was started by Prestige Potenza S.r.l.s., asking the Court to assess and declare:

(a) the infringement of Cogetech Gaming S.r.l. upon the transfer of the business unit related to the agency in Turin, corso Potenza;

(b) the termination of the contract through and by the fault of Cogetech Gaming S.r.l. and payment of damages for unfulfillment of the sales agreement;

(c) the order to pay damages of over Euro 18,000,000.00.

The first hearing was fixed on October 14, 2014. Cogetech Gaming duly appeared before the Court, submitted a cross-claim and asked the intervention of a third party. The hearing was postponed until March 10, 2015 to summon the third party. At that hearing, the Judge granted legal time limits for the filing of briefs until June 16, 2015. At that hearing, at conclusion of the discussion of pre-trial motions, the Judge reserved. Upon lifting his reserve, the Judge rejected the cross-claims and set the hearing of May 18, 2016 for clarification of the pleadings, then postponed by the Court until September 28, 2016.

In the opinion of the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

PRESTIGE BARBERA S.R.L.S.

Following the disposal by Cogetech Gaming S.r.l., of the business unit related to the agency in Turin, via Barbera, the assignee company did not fulfil its obligation as per the contract as it did not perform all measures required to manage and run the transferred business. Contrary to what *ex adverso* claimed, Cogetech Gaming promptly made available to the assignee all administrative documents that would permit to run the business. It therefore asked to terminate the sales contract in order to avert the incurrence of further costs.

The case was started by Prestige Barbera S.r.l.s., asking the Court to assess and declare:

(a) the infringement of Cogetech Gaming S.r.l. upon the transfer of the business unit related to the agency in Turin, via Barbera;

(b) the termination of the contract through and by the fault of Cogetech Gaming S.r.l. and payment of damages for unfulfillment of the sales agreement;

(c) the order to pay damages of around Euro 12,600,000.00.

The first hearing was fixed on November 18, 2014. Cogetech Gaming duly appeared before the Court, submitted a cross-claim and the authorization for the intervention of a third party. At the first hearing, the Judge upheld the request to summon third parties and granted legal time limits for the sending of notices. The hearing was postponed to July 7, 2015. At this hearing, the Judge postponed the case until September 23, 2015. Upon conclusion of this hearing, the Judge postponed the case to the hearing of January 20, 2016 for admission of pre-trial motions. While lifting his reserve, the Judge postponed the case to the hearing of February 28, 2017 for clarification of the pleadings.

In the opinion of the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

30. Other current and non-current liabilities

Other non-current liabilities are broken down as follows:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Other non-current liabilities			
<i>Tax liabilities</i>			
- instalments on flat-rate tax	182	317	(135)
- Tax Authorities - 770 notice	446	512	(66)
	628	829	(201)
<i>Due to social security institutions</i>			
- to INPS – instalments	378	455	(77)
	378	455	(77)
<i>Other liabilities</i>			
- for instalments related to PREU for previous years	741	1,114	(373)
- for security deposit liabilities	3,820	3,820	0
- to others	46	46	0
	4,607	4,980	(373)
Other non-current liabilities	5,613	6,264	(651)

Other current liabilities are composed as follows:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015 Restated	Change
Other current liabilities			
<i>Tax liabilities</i>			
- income taxes	750	41	709
- VAT	836	1,574	(738)
- Flat-rate tax	21,224	5,092	16,132
- instalments on flat-rate tax	190	140	50
- instalments on assessment notice	0	67	(67)
- Tax Authorities - 770 notice	174	149	25
- other tax liabilities	1,740	2,044	(304)
	24,914	9,107	15,807
<i>Due to social security institutions</i>			
- social security institutions	3,370	3,343	27
- social security institutions - instalments	75	93	(18)
	3,445	3,436	9
<i>Other liabilities</i>			
- due to ADM for PREU balances due	26,380	46,362	(19,982)
- due to ADM for gaming machines security deposits	6,048	6,882	(834)
- for instalments related to PREU for previous years	794	782	12
- remaining payables from segment to ADM for stability law	29,387	31,150	(1,763)
- due to winners and VLT jackpot reserve	14,421	13,717	704
- VLT required tickets	57	41	16
- due to ADM as concession fees	3,676	3,974	(298)
- due to gamblers for antepost betting	2,484	1,404	1,080
- due to gamblers for wins and refunds on national horse racing/sports forecast betting	2,768	1,844	924
- due to ADM for outstanding horse races	773	904	(131)
- due to ADM for required tickets	464	538	(74)
- due to ADM for Sports Forecast and National Horse Racing Betting Concession	1,111	1,339	(228)
- for SNAI Card gaming bards	6,338	7,007	(669)
- due to Online Gaming players (Skill/Casino/Bingo)	107	147	(40)
- due to players for wins in virtual events	341	439	(98)
- due to ADM	22,338	22,120	218
- for non-competition agreement	0	0	0
- due to employees and collaborators	5,756	5,105	651
- due to directors	133	376	(243)
- due to auditors	98	208	(110)
- for security deposits	10,280	10,504	(224)
- due to S.I.S. S.r.l.	5,599	6,457	(858)
- due to Teseo S.r.l. in liquidation	383	383	0
- due to Parent Company	65	0	65
- due to others	5,330	4,886	444
	145,131	166,569	(21,438)
<i>Accrued liabilities and deferred income</i>			
- accrued liabilities	2,083	1,202	881
- deferred income	1,169	794	375
	3,252	1,996	1,256
Total Other current liabilities	176,742	181,108	(4,366)

Payables related to the flat-rate tax payable in instalments, of Euro 372 thousand, of which Euro 182 thousand is due after one year and Euro 190 thousand is due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

Payables were related to 770 from notices totalling Euro 620 thousand, including Euro 446 thousand due after one year and Euro 174 thousand due within one year, were related to tax assessments performed by Tax Authorities on tax returns filed by using the 770 form for the tax periods 2011, 2012 and 2013. The above assessment highlighted the non-payment of withholdings and additional taxes. The amount due was divided in instalments, each related to one year of non-payment. These instalments are regularly being paid.

The payables related to instalments for social security institutions, amounting to Euro 453 thousand, of which Euro 378 thousand is due after one year and Euro 75 thousand being due within one year, comprise payment requests issued by Equitalia.

The tax increase is due to the flat-rate tax on betting, introduced with the "Mille proroghe" law decree. The payment term of the flat-rate tax on horserace bets and on betting on events other than horse races, is fixed on December 20 of the same year and January 31 of the following year, with reference to the flat-rate tax due for the September to November period and for December, respectively, as well as on August 31 and November 30 with reference to the flat-rate tax due for the January to April and May to August periods, respectively.

The PREU payables related to instalments for previous years, amounting to Euro 1,535 thousand, of which Euro 741 thousand is due after one year and Euro 794 thousand is due within one year, comprise fines and interest payable for the delayed payment of the 2009 and 2010 PREU tax.

Payables to the ADM for the segment Stability Law, amounting to Euro 29,387 thousand (including Euro 11,223 thousand related to SNAI S.p.A. and Euro 18,164 thousand to Cogetech S.p.A.), refer to provisions envisaged by the Stability Law, approved by parliament at the end of December 2014, which, amongst other things, outlined that the total amount of Euro 500 million be charged to the distribution network of gaming machines (both AWP and VLT). This amount was apportioned according to the number of machines referable to each single concession holder, as quantified by the Directorial Decree no. 4076/2015 issued by the ADM on January 15, 2015. According to the aforesaid decree, the amount related to the distribution network for gaming machines referable to the companies of the SNAI Group is equal to Euro 84,832 million (of which Euro 37,792 thousand related to SNAI S.p.A. and Euro 47,040 thousand related to Cogetech S.p.A.), 40% of the annual amount to be paid within April 30, 2015, and the remaining 60% within October 31, 2015 (see Notes 10, 20 and 21). On the occasion of the maturity term of the first down payment expected on April 30, 2015, the amount theoretically due by SNAI Group companies to the ADM amounted to Euro 33,933 thousand (40% of the aforementioned Euro 84,832 thousand). On April 30 and November 2, the SNAI Group provided for the payment of a total amount of Euro 50.4 million in favour of the ADM (of which Euro 26.5 million by SNAI S.p.A. and Euro 23.9 million by Cogetech S.p.A.), according to the interpretation inferable from the order and discussions undertaken with competent authorities on April 30, 2015 and November 2, 2015. Between November 2015 and June 2016, the SNAI Group, through the company Cogetech S.p.A., paid further Euro 4.9 thousand which had been collected by operators in the network. This amount, entirely paid, was made up of both the reduced portion of premiums and remunerations directly attributable to the companies of the SNAI Group and the reduced portion of premiums and remunerations actually paid to the operators of the distribution network of gaming machines (AWPs and VLTs). As of June 30, 2016, there are still receivables due from operators for unpaid amounts totalling Euro 29,387 thousand. In light of opinions collected, as already stated, the Group believes that it is not co-responsible with regards to the above amounts. The Company duly informed the ADM on the operator, within the segment, who did not pay, and on the related amounts that are still pending.

The item other liabilities to the ADM, totalling Euro 22,338 thousand, relates to draw downs which were offset by receivables (acquired or original) from the Di Majo Award. On November 21, 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations were cancelled. When the ADM requires the payment, SNAI will have the faculty to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 22.

Payables to the ADM for outstanding PREU, in the amount of Euro 26,380 thousand, are calculated from the gaming machine (ADI) transactions.

Payables to S.I.S. Srl, amounting to Euro 5,599 thousand, are related to the rental, and subsequent purchase, of the business unit of S.I.S. Srl, which was finalised on July 18, and are presented net of some receivables.

Deferred income, of Euro 1,169 thousand, includes Euro 734 thousand, related to the portion of the grants to the MIPAAF (formerly ASSI) investment fund recognised as grants related to investments.

31. Trade payables

The trade payables are composed as follows:

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015	Change
Trade payables			
- to suppliers	41,678	42,360	(682)
- to stables, jockeys and bookmakers	143	150	(7)
- to foreign suppliers	1,702	1,784	(82)
- advances paid to suppliers	(2,201)	(1,518)	(683)
- credit notes to be received	(158)	(411)	253
Total Trade payables	41,164	42,365	(1,201)

32. Overdue payables

As required by CONSOB's notice ref. 10084105 of October 13, 2010, the following table sets forth the Group's payables, grouped by type, with a specific indication of the amounts overdue.

(thousands of Euro)

Current liabilities	As of June 30, 2016	of which overdue
Financial liabilities	3,762	-
Trade payables	41,164	13,054
Tax payables	24,914	-
Due to social security institutions	3,445	-
Other liabilities	145,132	-
	218,417	13,054

The amounts overdue as of June 30, 2016, equal to Euro 13,054 thousand, are related to trade payables within the normal transactions with suppliers of services and materials. The majority of these amounts were paid after June 30, 2016 and in certain cases, a new due date were set. To the present date, no supplier has taken any initiatives in response to overdue amounts.

33. Guarantees

In addition to what is stated regarding financial liabilities, the SNAI Group has issued guarantees for a total amount of Euro 191,736 thousand as of June 30, 2016 (Euro 188,845 thousand as of December 31, 2015).

With regards to the values disclosed in the financial statements as of December 31, 2015, the changes occurred in financial commitments are disclosed hereunder:

Bank	Beneficiary	Subject matter of the guarantee	Increases/(Decreases) as of June 30, 2016 (thousands of Euro)
Cariparma	ADM	Concessione Giorgetti - Cogetech	(101)
Unicredit	ADM	Concessione ADI - Cogetech	2,093
Unicredit	ADM	Concessione Bersani Ippica - Cogetech Gaming	7
Bcc di Cambiano	Euronet	Ricariche Wind - SNAI	(180)
Bcc di Cambiano	Vodafone	Ricariche Vodafone - SNAI	(350)
Unicredit	ADM	Concessione Bersani Sport - SNAI	(495)
Unicredit	ADM	Concessione ADI - SNAI	2,870

Unicredit	ADM	Concessione Bersani Ippica - SNAI	(18)
Unicredit	ADM	Concessione Monti - SNAI	(310)
Unicredit	ADM	Concessione GAD - SNAI	80
Unicredit	ADM	Concessione Giorgetti - SNAI	(72)
Unicredit	Festa Srl	Issue of credit cards - SNAI	(15)
Cofitalia Confidi	Tax Authorities - Mantua Office	Guarantee of instalments of amounts due - SNAI	(502)
Cofitalia Confidi	Tax Authorities - Mantua Office	Guarantee of instalments of amounts due - SNAI	(116)
Total			2,891

34. Related Parties

The CONSOB communication No. 6064293 issued on July 28, 2006 requires that, in addition to the disclosures regarding related party transactions required by International Accounting Standard (IAS 24), information must be provided showing the impact of transaction or balances with related parties, as identified by IAS 24, on the statement of financial position and the statement of income.

The following table shows these impacts. The impact that transactions have on the statement of income and cash flows statement of the Company and/or the Group must be analysed bearing in mind that the principal dealings with related parties are identical to equivalent contracts in place with third parties.

Certain SNAI Group companies have bank accounts with Banca MPS, Intesa San Paolo, Poste Italiane, Banca CR Firenze S.p.A., Unicredit S.p.A. and Banco Popolare Società Cooperativa, which may be considered related parties to the SNAI Group.

Such transactions are considered to be in the interest of the Group, are part of the ordinary course of business and are subject to the terms and conditions of the market.

The Senior Secured Notes and the Senior Revolving Facility are also backed by a pledge on SNAI shares, issued by a majority shareholder of the Company. The related security agreement between SNAI S.p.A. and the majority shareholder was submitted to the favourable binding opinion by the SNAI Related Party Committee.

The following table sets forth a summary of dealings between the SNAI group and related parties:

<i>(thousands of Euro)</i>	As of June 30, 2016	% Incidence	As of December 31, 2015	% Incidence
Trade receivables:				
- from Global Games S.p.A.	4	0.00%	-	0.00%
	4	0.00%	-	0.00%
Total Assets	4	0.00%	-	0.00%
Trade payables:				
- from companies owned by SNAI S.p.A.	4	0.01%	30	0.07%
	4	0.01%	30	0.07%
Other current liabilities:				
- due to companies owned by SNAI S.p.A.	21	0.01%	-	0.00%
- due to companies related to shareholders of SNAI S.p.A.	44	0.02%	-	0.00%
- due to Global Games S.p.A.	2	0.00%	-	0.00%
- due to Teseo S.r.l. in liquidation	383	0.22%	383	0.21%
	450	0.25%	383	0.21%
Total Liabilities	454	0.05%	413	0.05%

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

For the six months ended June 30, 2016

<i>(thousands of Euro)</i>	For the six months ended June 30,			
	2016	% Incidence	2015	% Incidence
Revenues from services and chargebacks:				
- from companies owned by SNAI S.p.A.	2	0.00%	2	0.00%
	2	0.00%	2	0.00%
Other revenues				
- from Global Games S.p.A.	2	0.04%	2	0.01%
	2	0.04%	2	0.01%
Total Revenues	4	0.00%	4	0.00%
Costs for services and chargebacks:				
- to companies owned by SNAI S.p.A.	4	0.00%	4	0.00%
- to managers of Teleippica S.r.l.	27	0.01%	42	0.02%
- to managers and companies related to Finscom S.r.l.	45	0.01%	39	0.02%
- to auditors of Cogetech Gaming S.r.l.	17	0.01%	-	0.00%
	93	0.03%	85	0.04%
Other operating costs:				
- to companies owned by SNAI S.p.A.	6	0.02%	6	0.03%
	6	0.02%	6	0.03%
Total Costs	99	0.03%	91	0.05%

For the three months ended June 30, 2016

<i>(thousands of Euro)</i>	For the three months ended June 30,			
	2016	% Incidence	2015	% Incidence
Revenues from services and chargebacks:				
- from companies owned by SNAI S.p.A.	-	0.00%	1	0.00%
	-	0.00%	1	0.00%
Other revenues				
- from Global Games S.p.A.	1	0.03%	1	0.10%
	1	0.03%	1	0.10%
Total Revenues	1	0.00%	2	0.00%
Costs for services and chargebacks:				
- to companies owned by SNAI S.p.A.	2	0.00%	2	0.00%
- to managers of Teleippica S.r.l.	6	0.00%	22	0.02%
- to managers and companies related to Finscom S.r.l.	6	0.00%	39	0.04%
- to auditors of Cogetech Gaming S.r.l.	9	0.01%	-	0.00%
	23	0.01%	63	0.07%
Other operating costs:				
- to companies owned by SNAI S.p.A.	3	0.02%	3	0.03%
	3	0.02%	3	0.03%
Total Costs	26	0.01%	66	0.07%

Total revenues from transactions with related parties were 0.01% of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the six months ended June 30, 2016 and 2015, and 1.01% of loss for the six months ended June 30, 2016 (1.20% for the six months ended June 30, 2015).

Total costs from transactions with related parties were 0.15% of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the six months ended June 30, 2016 and 2015, and 25% of loss for the six months ended June 30, 2016 (27.25% for the six months ended June 30, 2015).

Remunerations received by managers with strategic responsibilities during the first quarter amounted to Euro 1,146 thousand, entirely as base remuneration.

As required by CONSOB's Notice ref. 10084105 of October 13, 2010, the following table shows relations with related parties of the Parent Company SNAI S.p.A. as of June 30, 2016.

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015
Trade receivables:		
- from Global Games S.p.A.	4	-
- from Società Trenno S.r.l.	324	178
- from Finscom S.r.l.	106	106
- from Snai Rete Italia S.r.l.	553	849
- from Teleippica S.r.l.	77	66
- from Cogetech S.p.A.	144	-
- from Cogetech Gaming S.r.l.	4	-
- from Cogemat S.p.A.	3	-
- from Azzurro Gaming S.p.A.	3	-
Total trade receivables	1,218	1,199
Other current assets:		
- from Società Trenno S.r.l.	-	62
- from Teleippica S.r.l.	2,177	1,955
- from Cogetech S.p.A.	152	-
- from Snai Rete Italia S.r.l.	12	-
Total other current assets	2,341	2,017
Current financial receivables:		
- from Società Trenno S.r.l.	7,869	5,940
- from Snai Rete Italia S.r.l.	33	2,949
- from Finscom S.r.l.	162	-
- from Cogetech S.p.A.	375	375
Total financial receivables	8,439	9,264
Current non-current receivables:		
- from Cogetech S.p.A.	110,738	110,738
Total other financial assets	110,738	110,738
Total assets	122,736	123,218
Trade payables:		
- to companies related to directors	4	30
- to Società Trenno S.r.l.	114	182
- to Finscom S.r.l.	7	8
- to Snai Rete Italia S.r.l.	10	16
- to Teleippica S.r.l.	384	333
- to Cogetech S.p.A.	629	20
Total trade payables	1,148	589
Other current liabilities		
- to companies related to directors	21	-
- to Global Games S.p.A.	2	-
- to Società Trenno S.r.l.	7,037	6,747
- to Snai Rete Italia S.r.l.	2,007	1,195
- to Teleippica S.r.l.	131	-

- to Teseo S.r.l. in liquidation	383	383
- to Finscom S.r.l.	151	-
- to Cogetech S.p.A.	6	-
- to Cogemat S.p.A.	1	-
- to Cogetech Gaming S.r.l.	1	-
- to Azzurro Gaming S.p.A.	1	-
- to companies related to shareholders	44	-
Total other current liabilities	9,785	8,325
Current financial liabilities:		
- to Teleippica S.r.l.	11,035	10,504
Total current financial liabilities	11,035	10,504
Total liabilities	21,968	19,418

thousands of Euro	For the six months ended June 30,	
	2016	2015
Revenues from services and chargebacks:		
- from companies related to directors	2	2
- from Società Trenno S.r.l.	140	119
- from Snai Rete Italia S.r.l.	68	-
- from Finscom S.r.l.	5	4
- from Cogetech S.p.A.	49	-
- from Teleippica S.r.l.	-	34
Total revenues from services and chargebacks	264	159
Other revenues		
- from Global Games S.p.A.	2	2
- from Società Trenno S.r.l.	259	243
- from Snai Rete Italia S.r.l.	12	-
- from Teleippica S.r.l.	272	255
- from Cogetech S.p.A.	181	-
- from Cogetech Gaming S.r.l.	4	-
- from Azzurro Gaming S.p.A.	1	-
- from Cogemat S.p.A.	1	-
- from Finscom S.r.l.	1	-
Total other revenues	733	500
Interest income:		
- from Società Trenno S.r.l.	309	118
- from Snai Rete Italia S.r.l.	94	52
- from Teleippica S.r.l.	-	2
- from Cogetech S.p.A.	4,222	-
- from Finscom S.r.l.	2	-
Total interest income	4,627	172
Total revenues	5,624	831
Costs for services and chargebacks:		
- from companies related to shareholders and directors	5	4
- from Società Trenno S.r.l.	188	227
- from Finscom S.r.l.	743	280
- from SNAI Rete Italia S.r.l.	4,922	-
- from Teleippica S.r.l.	1,595	1,505
- from Cogetech S.p.A.	9	-
Total costs for services and chargebacks	7,462	2,016
Costs of seconded personnel		
- from Cogetech S.p.A.	678	-
Total costs of seconded personnel	678	-

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Other operating costs		
- from companies related to shareholders and directors	6	6
- from Finscom S.r.l.	-	13
- from Società Trenno S.r.l.	1	-
Total other operating costs	7	18
Interest expense and fees		
Interest expense to Teleippica S.r.l.	449	144
Interest expense to SNAI Rete Italia S.r.l.	14	-
Total interest expense and fees	463	144
Total costs	8,610	2,178

35. Financial risk management

The Group had financial liabilities principally comprising bond loans and financial leases. Such contracts are medium- to long-term.

On December 4, 2013, SNAI S.p.A. issued a bond loan for Euro 480,000 thousand comprising:

- Euro 320,000 thousand bearing interest at 7.625% and denominated as Senior Secured Notes, with maturity on June 15, 2018, and
- Euro 160,000 thousand bearing interest at 12.00% and denominated as Senior Subordinated Notes with maturity on December 15, 2018.

On November 27, 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. On July 28, 2015, during the refinancing transaction connected with the acquisition of the Cogemat Group, the above-mentioned revolving credit line was increased by Euro 25,000 thousand with UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A. as lending banks, with Euro 15,000 thousand and Euro 10,000 thousand, respectively, at the same terms and conditions set out in 2013. The credit line was therefore increased to Euro 55,000 thousand. The increased amount could be used upon both the acquisition of the Cogemat Group, which occurred on November 19, 2015, and the fulfilment of conditions, which occurred on December 10, 2015. The Senior Revolving Facility was not drawn down as of June 30, 2016.

On July 20, 2015, the Board of Directors of SNAI S.p.A. approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity on June 15, 2018. The bonds were initially subscribed by J.P. Morgan, J.P. Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed with qualified investors. The bonds are listed on the Euro MTF market, organised and managed by the Luxembourg Stock Exchange. With regards to the acquisition of the Cogemat Group, proceeds from the issue of the bonds were used by the Company for the partial early cash repayment of payables resulting from some loans related to Cogemat S.p.A. and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on July 21, 2015, for a total principal amount up to Euro 110 million, with maturity on June 15, 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on year-over-year basis. The bond issue and regulation took place on July 28, 2015.

High yield bond loans, representing the financial indebtedness of the SNAI Group as of December 31, 2015, except the 2013 bond loan of Euro 160,000 thousand, are guaranteed (like the revolving credit line, unused at the reporting date) by a number of collaterals and personal guarantees granted by the SNAI Group companies, including a) pledge on 50%, plus one share of SNAI S.p.A. share capital, consisting of a portion of Global Games, b) pledge on 100% of the shareholding in Teleippica S.r.l., comprising a portion of SNAI S.p.A., c) pledge on some intellectual rights owned by SNAI S.p.A., d) pledge on 100% of Cogemat S.p.A. share capital consisting in a portion of SNAI S.p.A., e) transfer, as guarantee, of receivables owned by SNAI related to the intercompany loan granted by SNAI S.p.A. to Cogetech S.p.A. and lastly, f) personal guarantee of Cogetech S.p.A. and Cogemat S.p.A.. Moreover, the revolving credit line is guaranteed by a mortgage on some real estate properties owned by SNAI S.p.A.

The SNAI Group's policy is to reduce to the extent possible its use of interest-bearing credit to fund its ordinary operations, to reduce the collection periods for its trade receivables, to arrange timings and means of deferment in respect of trade creditors, and to plan and diversify the payment terms for its investments.

Financial derivatives

As of June 30, 2016, the SNAI Group had no derivative instruments in place.

Liquidity risk

Liquidity risk is defined as the possibility that the SNAI Group is unable to settle its payment commitments as a result of an inability to obtain new funds (funding liquidity risk), to sell assets in the market (asset liquidity risk), or is obliged to incur very high costs in order to settle those commitments. The SNAI Group's exposure to such risk is linked principally to the commitments related to the issue of bond loans in 2013 and 2015, and the entering of a revolving facility unused as of June 30, 2016.

Interest rate risk

The SNAI Group is exposed to interest rate risk in connection with the financial assets/liabilities related to its core operations; defined as the possibility that a loss may occur in its financial management, in terms of a lower return from an asset or an increased cost of an (existing or potential) liability, as a result of fluctuations in interest rates. The interest rate risk therefore represents the uncertainty associated with the trend of interest rates.

As of June 30, 2016, the SNAI Group was not subject to interest rate risk as bond loans are at a fixed rate. The aim of the interest rate risk management is to protect the SNAI Group's financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

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

Credit risk

In order to reduce and monitor credit risk, the SNAI Group has adopted organisational policies and instruments. Potential relationships with debtors are always subjected to prior reliability analysis, through the use of information from leading credit rating companies. The analyses obtained are appropriately supplemented with such information as is available within the Group, resulting in a reliability assessment. This assessment is subject to review on a regular basis or, where appropriate, wherever new information emerges.

The Group's debtors (customers, shop and betting shop managers, AWP and VLT operators, and so forth) are often known to the SNAI Group, as a result of its presence over many years in all of the market segments in which it appears, which features a limited number of licensed operators.

A number of relationships with debtors are initially secured with guarantees or deposits, granted in favour of the SNAI Group on the basis of reliability assessments. The relationships established are monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.

Receivables are regularly subjected to in-depth assessments. In particular, receivables are shown net of the relevant provisions for doubtful receivables. Accruals to the provision for doubtful receivables are recorded where there is objective evidence of difficulty in the recovery of the receivable. Receivables which are considered to be no longer recoverable are fully written off.

In relation to the above-mentioned receivables, the maximum exposure to credit risk, without taking into account any security that may be held or other instruments that may mitigate credit risk, is represented by their fair value. The risk regarding the SNAI Group's other financial assets is in line with market conditions.

Exchange rate risk

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

Capital management

The capital management of the SNAI Group aims at guaranteeing a solid credit rating and adequate levels of capital and debt ratios in order to support its operations and its future investment plans, while continuing to fulfil its contractual obligations with lenders.

The SNAI Group is subject to contractual restrictions in its loan agreements with regards to the distribution of dividends to its shareholders and issue of new shares.

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

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015 Restated
Interest-bearing loans	578,808	576,633
Non-interest-bearing loans	32	32
Financial liabilities	578,840	576,665
Trade payables and other liabilities	223,519	229,737
Current financial assets	(20,098)	(23,205)
Cash and cash equivalents	(138,785)	(107,588)
Net indebtedness	643,476	675,609
Shareholders' equity	135,246	135,625
Total shareholders' equity	135,246	135,625
Shareholders' equity and net indebtedness	778,722	811,234
Ratio net indebtedness/(shareholders' equity and net indebtedness)	82.6%	83.3%

36. Significant non-recurring events and transactions

During the six months ended June 30, 2016, there are no non-recurring costs and revenues, as defined by CONSOB Resolution No. 15519 of July 27, 2006, as being those "components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business").

37. Events or transactions arising from atypical and/or unusual transactions

No atypical and/or unusual operations took place during the six months ended June 30, 2016.

38. Group structure

Ownership of the Group

SNAI S.p.A., the Parent Company, is legally subject to control by Global Games S.p.A.

Significant shareholdings in subsidiaries

	Percentage held		
	As of June 30, 2016	As of December 31, 2015	As of June 30, 2015
Società Trenno S.r.l. held by a sole quotaholder	100	100	100
Teleippica S.r.l.	100	100	100
SNAI Rete Italia S.r.l.	100	100	100
Finscom S.r.l.	100	100	100
Cogemat S.p.A.	100	100	0
Cogetch S.p.A.	100	100	0
Cogetech Gaming S.p.A.	100	100	0
Azzurro Gaming S.p.A.	100	100	0
Fondazione IziLove Foundation	100	100	0

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

39. Net financial position

In accordance with the requirements of CONSOB's Notice of July 28, 2006, and in accordance with the Recommendation issued by CESR of February 10, 2005, "CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the SNAI Group's net financial position is set forth in the following table.

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015
A. Cash on hand	1,384	1,338
B. Other cash and cash equivalents	137,401	106,250
<i>bank accounts</i>	136,869	105,478
<i>postal accounts</i>	532	772
C. Securities held for trading	1	1,484
D. Liquidity (A) + (B) + (C)	138,786	109,072
E. Current financial receivables	0	0
F. Current bank debts	330	71
G. Current portion of non-current indebtedness	0	0
H. Other current financial debt	3,432	3,493
- for interest on bond loans	2,166	2,166
- for acquisition of sports and horse racing concessions	32	32
- payables due to other lenders	1,234	1,295
I. Current financial indebtedness (F) + (G) + (H)	3,762	3,564
J. Net current financial indebtedness (I) - (E) -(D)	(135,024)	(105,508)
K. Non-current bank loans	0	0
L. Bonds issued	575,042	573,030
M. Other non-current loans	36	71
- payables due to other lenders	36	71
N. Non-current financial indebtedness (K) +(L) + (M)	575,078	573,101
O. Net financial indebtedness (J)+(N)	440,054	467,593

According to cash flows resulting from the prospective estimates of management, the Company could be unable to fully repay its payables related to bond loans, however, in line with generally accepted market practice, the Company will be able to refinance the portion of indebtedness that potentially remains unpaid at maturity.

The net financial position does not include the escrow accounts and restricted deposits the amount of Euro 18,224 thousand, classified under item "current financial assets" on the statement of financial position, the dedicated bank current account of Euro 95 thousand or the other non-current financial assets equal to Euro 1,778 thousand (see Note 22).

Net financial debt decreased by Euro 27,539 thousand from December 31, 2015, mainly due to the increase in cash and cash equivalents resulting from the waiver of the guarantee deposit for 2015 by the ADM in the amount of Euro 37,052 thousand.

As required by CONSOB's notice ref. 10084105 of October 13, 2010, the following table shows the Parent Company SNAI S.p.A.'s net financial position.

<i>(thousands of Euro)</i>	As of June 30, 2016	As of December 31, 2015
A. Cash on hand	104	137
B. Other cash and cash equivalents	75,177	53,841
- bank accounts	74,645	53,069
- postal accounts	532	772
C. Securities held for trading	1	1
D. Liquidity (A)+(B)+(C)	75,282	53,979
E. Current financial receivables	8,439	9,264
- financial current account with subsidiaries	8,064	8,889
- interest on loan	375	375
F. Current bank debts	62	66
G. Current portion of non-current indebtedness	0	0
H. Other current financial debt:	14,445	13,973
- for interest on bond loans	2,166	2,166
- financial current account with subsidiaries	11,035	10,504
- for acquisition of sports and horse racing concessions	32	32
- Due to other lenders	1,212	1,271
I. Current financial indebtedness (F)+(G)+(H)	14,507	14,039

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J. Net current financial indebtedness (I)-(E)-(D)	(69,214)	(49,204)
K. Non-current bank loans	0	0
L. Bonds issued	575,042	573,030
M. Other non-current loans:	2	39
- due to other lenders	2	39
N. Non-current financial indebtedness (K)+(L)+(M)	575,044	573,069
O. Net financial indebtedness (J)+(N)	505,830	523,865

The net financial position of SNAI S.p.A. does not include the escrow accounts and restricted deposits or other non-current financial assets.

39.1 Covenants

As is customary for similar lending facilities, the current loan agreements (revolving credit line and bond loans), as described in Note 28, prescribe a number of obligations for the SNAI Group.

The above-mentioned agreements provide, in accordance with common practice for similar transactions, that the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the restrictions on the distribution of dividends until expiration of other bond loans, as well as restrictions on the early repayment of bonds, on new financial indebtedness and in making specific investments and disposing of corporate assets and properties. Events of default are also specified, which may make it necessary for the lenders to demand early repayment.

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A, Deutsche Bank S.p.A. and JP Morgan Chase Bank, N.A., Milan Branch, relating to a Senior Revolving loan for a total amount of Euro 55 million (for more information see Note 28).

In particular, there is a requirement to maintain a given minimum level of "Consolidated Pro-Forma EBITDA". "Consolidated Pro-Forma EBITDA" is defined in the loan agreement and indicates the consolidated earnings before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items.

The Group is also obliged to provide its lenders periodic information on its cash flows and income, and key performance indicators, including EBITDA and net financial indebtedness.

It is noted that, as of June 30, 2016, the Company was compliant with commitments and covenants.

40. Financial Instruments and information on fair value

Measurements at fair value of Group financial instruments were reclassified in the 3 levels envisaged by IFRS 7. In particular, the hierarchy is as follows:

- Level 1: if the financial instrument is listed in an active market;
- Level 2: if the fair value is measured based on measurement techniques taking benchmark parameters that are observable on the market, other than prices of the financial instrument;
- Level 3: if the fair value is calculated based on measurement techniques taking benchmark parameters that are not observable on the market.

Measurement at fair value is performed based on methods classified under Level 2 of the fair value hierarchy, as defined by IFRS standards. The SNAI Group has adopted internal valuation models, generally used in financial practice. During the six months ended June 30, 2016, no transfers occurred between fair value hierarchy levels.

Management believes that the carrying amount of cash on hand and short-term deposits, as well as trade receivables and payables, bank overdrafts and other current liabilities are consistent with fair value due to the short-term expiration terms of these instruments.

The fair value of financial assets and liabilities is disclosed for the amount which might be exchanged in a current transaction between willing parties, rather than in a forced sale or in a liquidation procedure. The following methods and assumptions have been adopted in measuring fair value:

- long-term accounts receivable and loans, both with fixed and variable rate, are measured by the SNAI Group based on parameters including interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Allowances for doubtful accounts are accounted for based on the above evaluations. As of June 30, 2016, the carrying amount of these accounts receivable, net of allowances, was substantially similar to their fair value;

- the fair value of liabilities resulting from financial leases and other non-current financial liabilities is measured through future cash flows discounted by applying the current rates available for accounts payable with similar terms, such as credit risk and remaining expiration terms;
- the fair value of SNAI Group loans and borrowings is measured using the discounted cash flow method and a discount rate which would reflect the interest rate of the issuer at year-end. Insolvency risk for the SNAI Group as of June 30, 2016 was assessed as irrelevant;
- the fair value of debt instruments issued by the SNAI Group are measured using the discounted cash flow models based on current financing marginal rates for similar types of loans and maturities consistent with the residual useful life of the debt instruments in question.

41. Subsequent events

41.1 Disposal of Modena business unit

On July 14, 2016, with deed of the Notary Public Elena Terrenghi in Milan, SNAI S.p.A. signed with NOVANTESIMO MINUTO S.r.l., tax code 03671240369, an agreement for the sale of the current business unit in Modena, via Jacopo Barozzi n.232/234, consisting of the complex including the sales point, where activities are carried out related to “marketing of public games, betting on virtual events, legal gaming through AWP and VLT, as well as dissemination and promotion of on-line gaming”, instrumental to the management and performance of the aforesaid activities (the “**Business Unit**”) at a sales price of Euro 60 thousand.

Pursuant to Art. 1353 of the Italian Civil Code, the parties agreed that the agreement would be effective upon the issue of licenses (condition precedent), within 180 days from the signature of the agreement, in favour of the transferee, as per Art. 88 TULPS for the exercise of marketing activities of public and legal gaming. The parties also agreed that, should the condition precedent be fulfilled, as an exception to Art. 1360 of the Italian Civil Code, the agreement will be considered in force as from the 5th (fifth) working day after the issue of the above-mentioned licenses (“**Effective Date**”).

The complex includes mobile assets, furnishing and fixtures, equipment and other instrumental assets used in the performance of the activity of the Business Unit, the lease contract of the premises, as well as contracts and juridical relations related to the Business Unit, labour contracts related to SNAI S.p.A. employees working in the Business Unit, and payables to employees related to the provision for vacation and rest days. The above is as specified in the Agreement.

41.2 Disposal of Valenza business unit

On July 14, 2016, with deed of the Notary Public Elena Terrenghi in Milan, Finscom S.r.l. signed with GIOG S.r.l., tax code 02038090060, an agreement for the sale of the current Business Unit in Valenza, viale della Repubblica n.18, consisting of the complex including the sales point, where activities are carried out related to “marketing of public games, betting on virtual events, legal gaming through AWP and VLT, as well as dissemination and promotion of on-line gaming”, instrumental to the management and performance of the aforesaid activities (the “**Business Unit**”) at a sales price of Euro 10 thousand.

Pursuant to Art. 1353 of the Italian Civil Code, the parties expressly agreed that the agreement would be effective upon the issue of licenses (condition precedent), within 180 days from the signature of the Agreement (the “**Term**”), in favour of the Transferee, as per Art. 88 TULPS (the “**Licenses**”) for the exercise of marketing activities of public and legal gaming and wagers through video terminal as per the agreement.

If, within the Term, the Licenses are issued, the Parties, with express exception to Art. 1360 of the Italian Civil Code, agreed that the agreement will be considered in force as from the 5th (fifth) working day after the issue of the above-mentioned licenses (“**Effective Date**”). The Licenses were obtained by the Transferee on July 27, 2016.

The complex includes mobile assets, furnishing and fixtures, equipment and other instrumental assets used in the performance of the activity of the Business Unit, the lease contract of the premises, as well as contracts and juridical relations related to the Business Unit, labour contracts related to SNAI S.p.A. employees working in the Business Unit, and payables to employees related to the provision for vacation and rest days. The above is as specified in the agreement.

41.3 Disposal of Milan business unit

On July 14, 2016, with deed of the Notary Public Elena Terrenghi in Milan, Finscom S.r.l. signed with BETSCOM S.r.l., tax code 09515820968, an agreement for the sale of the current Business Unit in Milan, via Brunelleschi n.4, consisting of the complex including the sales point, where activities are carried out related to “marketing of public games, betting on virtual events, legal gaming through AWP and VLT, as well as dissemination and promotion of on-line gaming”, instrumental to the management and performance of the aforesaid activities (the “**Business Unit**”) at a sales price of Euro 10 thousand.

Pursuant to Art. 1353 of the Italian Civil Code, the parties expressly agreed that the agreement would be effective upon the issue of licenses (condition precedent), within 180 days from the signature of the agreement (the “**Term**”), in favour of the Transferee, as per Art. 88 TULPS (the “**Licenses**”) for the exercise of marketing activities of public and legal gaming and wagers through video terminal as per the agreement.

If, within the Term, the Licenses are issued, the parties, with express exception to Art. 1360 of the Italian Civil Code, agreed that the agreement will be considered in force as from the 5th (fifth) working day after the issue of the above-mentioned licenses (“**Effective Date**”).

The complex includes mobile assets, furnishing and fixtures, equipment and other instrumental assets used in the performance of the activity of the Business Unit, the lease contract of the premises, as well as contracts and juridical relations related to the Business Unit, labour contracts related to SNAI S.p.A. employees working in the Business Unit, and payables to employees related to the provision for vacation and rest days. The above is as specified in the agreement.

41.4 Disposal of Alessandria business unit

On July 14, 2016, with deed of the Notary Public Elena Terrenghi in Milan, Finscom S.r.l. signed with GIOG S.r.l., tax code 02038090060, an agreement for the sale of the current Business Unit in Alessandria, via Spalto Marengo n.6, consisting of the complex including the sales point, where activities are carried out related to “*marketing of public games, betting on virtual events, legal gaming through AWP and VLT, as well as dissemination and promotion of on-line gaming*”, instrumental to the management and performance of the aforesaid activities (the “**Business Unit**”) at a sales price of Euro 10 thousand.

Pursuant to Art. 1353 of the Italian Civil Code, the parties expressly agreed that the agreement would be effective upon the issue of licenses (condition precedent), within 180 days from the signature of the agreement (the “**Term**”), in favour of the Transferee, as per Art. 88 TULPS (the “**Licenses**”) for the exercise of marketing activities of public and legal gaming and wagers through video terminal as per the agreement.

If, within the Term, the Licenses are issued, the Parties, with express exception to Art. 1360 of the Italian Civil Code, agreed that the Agreement will be considered in force as from the 5th (fifth) working day after the issue of the above-mentioned licenses (“**Effective Date**”). The Licenses were obtained by the Transferee on July 27, 2016.

The complex includes mobile assets, furnishing and fixtures, equipment and other instrumental assets used in the performance of the activity of the Business Unit, the lease contract of the premises, as well as contracts and juridical relations related to the Business Unit, labour contracts related to SNAI S.p.A. employees working in the Business Unit, and payables to employees related to the provision for vacation and rest days. The above is as specified in the agreement.

41.5 Lease of S.I.S. Srl business unit

The sales deed of the complex, previously leased by SNAI Rete Italia S.r.l. based on a lease contract, was signed on July 18, 2016 with translation effect as from June 30, 2016.

The transfer price was determined based on the contract, by deducting from the specified amount, the rentals accrued and paid by SNAI Rete Italia S.r.l. up to June 30, 2016. In application of this criterion, the price was set at 7.3 million.

The effective balance paid by SNAI Rete Italia S.r.l. to S.I.S. S.r.l. in liquidation, included deductions related to all adjustments and translation values agreed upon by the Parties, and it was determined and paid in the amount of around Euro 5.3 million.

Against the above-mentioned guarantee commitment, SNAI Rete Italia S.r.l. opened an escrow account, for the amount of around Euro 760 thousand, to guarantee possible liabilities that might occur before March 31, 2017 and paid S.I.S. Srl in liquidation, the amount of Euro 340 thousand as reimbursement of possible liabilities already occurred.

41.6 Relations with CONSOB

On July 20, 2016, CONSOB approved the Information Statement on the admission to listing on the MTA, organized and managed by Borsa Italiana S.p.A., of 71,602,410 ordinary shares related to the share capital increase connected with the acquisition of the Cogemat Group.

41.7 Redemption of the building in Porcari

In July 2016 the building in Porcari, Via Luigi Boccherini no. 39, was purchased. This was previously leased from Ing Lease Italia S.p.A. and it was purchased at a redemption price of Euro 701 thousand.

41.8 Government/Local Entities Conference

On August 3, 2016, the Unified Conference was called to discuss, amongst other things, the possible agreement areas between the government and local entities, in order to regulate and harmonize standards concerning legal gaming in Italy. During the meeting, the regions asked to postpone the achievement of the agreement to September in order to permit the completion of the studies being performed on the issue.

As envisaged by the 2016 Stability Law, this agreement is condition precedent for the launching of the tender for the renewal of concessions on betting, with expiration date of June 30, 2016, and which are currently being extended. The date for the new tender has not yet been fixed.

41.9 Negotiations with Trade Unions

Lastly, in view of the next merger of the former Cogemat Group into SNAI S.p.A., negotiations were started with trade unions, at the national and local level, aimed at defining the post-merger organization, both in terms of overall headcount and the location of functions in the three operating headquarters of Porcari, Rome and Milan. An agreement

with trade unions is expected in the third quarter of the year or, at the latest, before the effective date of the merger of the former Cogemat Group unto SNAI S.p.A.

Other Disclosures

These explanatory notes are supplemented by the information reported in the annexes:

- 1) Composition of the SNAI Group as of June 30, 2016;

The annexes form an integral part of these notes and provide additional details and explanations of the relevant items in the financial statements.

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

These financial statements are a true and faithful representation of the consolidated net worth, financial and earnings position for the year and reflect the accounting records.

For the Board of Directors
Fabio Schiavolin
(The Managing Director)

Milan, August 5, 2016

The director assigned to the preparation of the corporate accounting documents, Chiaffredo Rinaudo declares, pursuant to paragraph 5 Art. 154-bis of the Finance Act, that the accounting information contained in these consolidated financial statements corresponds to documented results, the bookkeeping and accounting records.

Composition of the SNAI Group as of June 30, 2016

Name	Head office	Share Capital (thousands of Euro)	Owned percentage	Note	Type of business	Consolidation method/Valuation criteria
- SNAI S.p.A.	Porcari (LU)	97,982	Parent Company		Acceptance of horse racing and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - skill games	Line-by-line basis
Subsidiaries:						
- Società Trenno S.r.l. held by a sole quotaholder	Milan (MI)	1,932	100.00%	(1)	Organization and operation of horse races and the training centre	Line-by-line basis
- Cogemat S.p.A.	Milan (MI)	35,176	100.00%	(2)	Control and coordination holding	Line-by-line basis
- Cogetech S.p.A.	Milan (MI)	10,000	100.00%	(3)	Trading of horse racing and sports betting through its own concessions - electronic operation and dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - remote skill games - trading of value added services	Line-by-line basis
- Cogetech Gaming S.r.l.	Milan (MI)	101	100.00%	(4)	Trading of horse racing and sports betting through its own concessions	Line-by-line basis
- Azzurro Gaming S.p.A.	Milan (MI)	5,000	100.00%	(5)	Management of gaming machines	Line-by-line basis
- Fondazione Izilove Foundation	Milan (MI)	100	100.00%	(6)	Non-profit company - Social solidarity and charity	Line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	100.00%	(7)	Design and planning of betting management software systems	Shareholders' Equity
- Teleippica S.r.l. held by a sole quotaholder	Porcari (LU)	2,540	100.00%	(8)	Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers	Line-by-line basis
- SNAI Rete Italia S.r.l. held by a sole quotaholder	Porcari (LU)	10	100.00%	(9)	Acquisition of shareholdings in companies managing sales points, as well as of the centralisation and management of direct sales points	Line-by-line basis
- Finscom S.r.l.	Mantua (MN)	25	100.00%	(10)	Direct management of sales points	Line-by-line basis
Associates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(11)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30.00%	(12)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	996	30.70%	(13)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connex S.r.l. in liquidation	Porcari (LU)	82	25.00%	(14)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
- C.G.S. Consorzio Gestione Servizi in liquidation	Milan (MI)	22	50.00%	(15)	Accounting, administrative, IT and advertising services for the members of the consortium	Shareholders' Equity
Other companies:						
- Lxorfin S.r.l.	Rome (RM)	1,500	2.44%	(16)	Financial holding company in the horse race segment	Cost
- Obiettivo 2016 S.r.l.	Mantua (MN)	90	0.01%	(17)	Data electronic processing - dormant	Cost

Notes on the composition of the SNAI Group

- (1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the merger by incorporation of Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.). The company was incorporated on July 27, 2006, and on September 15, 2006 Ippodromi San Siro S.p.A. contributed its "horse racing operations" business unit.
- (2) Wholly-owned subsidiary of SNAI S.p.A., acquired on November 19, 2015 through transfer.
- (3) Wholly-owned subsidiary through Cogemat S.p.A., as a result of the acquisition of the Cogemat Group on November 19, 2015.
- (4) Wholly-owned subsidiary through Cogemat S.p.A., as a result of the acquisition of the Cogemat Group on November 19, 2015.
- (5) Wholly-owned subsidiary through Cogetech S.p.A., as a result of the acquisition of the Cogemat Group on November 19, 2015.
- (6) Wholly-owned subsidiary through Cogtech S.p.A., as a result of the acquisition of the Cogemat Group on November 19, 2015.
- (7) Incorporated on November 13, 1996, and acquired by SNAI S.p.A. on December 30, 1999. On August 3, 2001, Teseo S.r.l. entered winding-up.
- (8) Acquired by third parties on May 5, 2000. On October 2, 2003, the extraordinary shareholders' meeting changed the company's name from SOGEST Società Gestione Servizi Termali S.r.l. to Teleippica S.r.l., and also its corporate purpose. Over the course of 2005, the extraordinary shareholders' meeting resolved to increase the share capital to Euro 2,540,000. On January 31, 2011 SNAI S.p.A. acquired control of 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. SNAI S.p.A. owns 100% of the share capital of Teleippica S.r.l.
- (9) On April 3, 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10 thousand, and is aimed at the acquisition of shareholdings in companies managing sales points, as well as of the centralisation and management of direct sales points.

- (10) On April 1, 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l. in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on April 8, 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom. Following the waiver by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09. At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.
- (11) On January 12, 2011, the shareholders' meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, to reduce the share capital to Euro 944,520.00. SNAI S.p.A.'s shareholding was unchanged at 27.78%.
- (12) A company incorporated under Luxembourg law on March 10, 2006 by SNAI S.p.A., which holds 30%, and FCCD Limited, a company incorporated under Irish law, which holds 70%.
- (13) Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.), now merged into SNAI S.p.A., already owned 30.70% of this shareholding.
- (14) On December 7, 2000, the shareholding in Connex S.r.l. was acquired through the purchase of option rights from former shareholders, and the subsequent subscription (and payment) of the share capital increase reserved to the holders of those rights. On February 4, 2015, the shareholders' meeting resolved to wind up the company.
- (15) Acquired on April 8, 2015 through the purchase of the company Finscom S.r.l.
- (16) Shareholding of 2.44% acquired on 1July 19, 1999 by Società Trenno S.p.A., which was subsequently merged into SNAI S.p.A., by incorporation.
- (17) Wholly-owned subsidiary through Cogemat S.p.A., as a result of the acquisition of the Cogemat Group on November 19, 2015.

Certification of the condensed consolidated half-year financial statements, pursuant to art. 154 bis, par. 5 of Legislative Decree 58/1998 - Consolidated Law on Finance (TUF)

1. The undersigned, Fabio Schiavolin, in his capacity as CEO of SNAI S.p.A., and Chiaffredo Rinaudo in his capacity as the executive in charge of the preparation of the accounting and corporate documentation of SNAI S.p.A. hereby certify, also pursuant to the provisions set forth in art. 154 - bis, paragraphs 3 and 4 of Legislative Decree 58, 24 February 1998:

- the adequacy of the company characteristics and
- the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements as at 30 June 2016.

2. The following has been noted:

- given the current integration of process and procedures following the Cogemat Group acquisition, the data collection for the condensed consolidated half-year financial statements has been implemented according to each group procedure;
- with reference to the corporate and organizational changes and specifically to the financial reporting process, the company has launched a project to reassess all the internal processes with the goal to guarantee the continuity of its own internal audit.

3. It has also been certified that:

3.1 The condensed consolidated half-year financial statements:

- a) have been drawn up in compliance with the applicable International Accounting Standards which are recognized by the European Union pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b) correspond to the accounting books and records;
- c) provide a true and accurate representation of the capital, economic and financial situation of the issuer as well as of the group of companies included in the consolidation perimeter.

3.2 the interim report on operations contains a reliable analysis of the significant events that occurred in the first six months of the year and their impact on the condensed consolidated half-yearly financial statements, together with a description of the main risks and uncertainties envisaged for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information regarding significant transactions with related parties.

Milan, 5th August 2016

Chief Executive Officer

(Fabio Schiavolin)

The executive in charge of the preparation of the Company's accounting and corporate documentation

(Chiaffredo Rinaudo)

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