

SNAITECH



INTERIM RESULTS AS OF JUNE 30, 2017

SNAITECH S.p.A.

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

Share Capital Euro 97,982,245.40 fully paid in

Tax Code 00754850154 - VAT no. 01729640464

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

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CORPORATE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

(Appointed from the Shareholders' Meeting held on June 9, 2016 and expiring with the Shareholders' Meeting, which approves the financial statements as of December 31, 2018 except for specifications made hereunder)

*Chairwoman
Managing Director*

Mara Caverni
Fabio Schiavolin

Directors

Maurizio Leo*
Giorgio Drago
Nicola Iorio**
Roberto Ruozi***
Barbara Poggiali***
Chiara Palmieri*/******
Salvatore Catapano
Raffaella Viscardi/******
Nadia Buttignol
Roberto Maestroni*****
Mauro Pisapia/******
Paolo Scarlatti

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

Chiaffredo Rinaudo

BOARD OF STATUTORY AUDITORS

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

*Chairwoman
Standing Auditors*

MariaTeresa Salerno
Massimo Gallina
Maurizio Maffeis

INDEPENDENT AUDITORS

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

PricewaterhouseCoopers S.p.A.

* Appointed by the Shareholders' Meeting held on March 13, 2017 until the Shareholders' Meeting that will approve the financial statements as of December 31, 2018

** Members of the Control and Risks Committee

*** Members of the Compensation Committee

**** Members of the Related Parties Committee

***** Appointed by co-option on June 26, 2017 to replace Angelo Giovannone, effective until next Shareholders' Meeting

**INTERIM REPORT
AS OF JUNE 30, 2017**

A SNAITECH GROUP

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

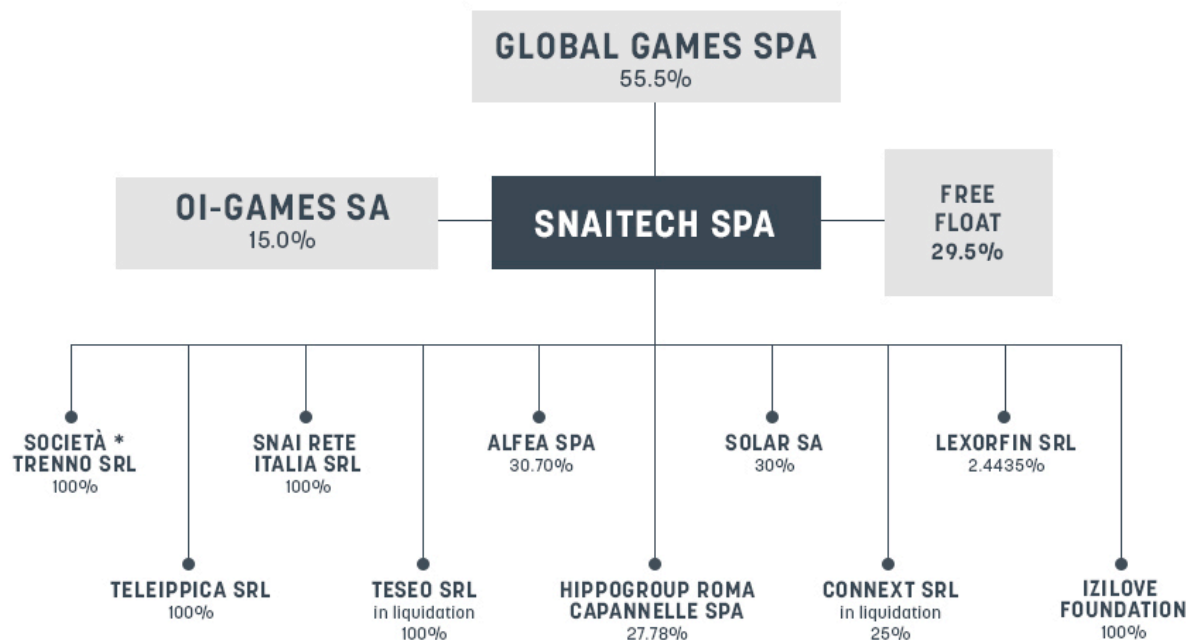
The Group offering primarily includes, on a national basis: (i) Gaming Machines (AWP and VLT); (ii) Sports bets, Horserace bets and Virtual Events bets both on retail and online channel; (iii) Bingo, Skill and Casino games.

Additionally, the Group offering includes also: (i) bets services provided to independent concessioners; (ii) payment services (utility bill payment, mobile top-up, phone/gift cards) and (iii) Sat TV broadcasting and Radio channel for Horse Racing and Virtual Games.

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

The Group is controlled by Global Games S.p.A., which owns 55.5% of the Snaitech S.p.A.. Global Games S.p.A. ownership is equally divided between Global Entertainment and Global Win (each respectively with 50% shares). Global Entertainment is a Luxembourg established company owned by Investindustrial IV Buld-Up L.P. (L.P. private equity fund established in London); Global Win is an Italian established company owned by 99.9% by Venice European Investment Capital S.p.A., which is owned by Palladio Holding S.p.A. Furthermore, 15% of the Group is owned by OI Games S.A., which is an SPV owned by Orlando Italy fund.

Global Games S.p.A. (as holding company) does not engage in direction and coordination activities vis-à-vis Snaitech S.p.A., which is self-governed and sets its own strategic objectives, with full organisational, operational and contractual independence.



* The merger by incorporation in Snaitech S.p.A. has been approved on February 7, 2017

B FINANCIAL PERFORMANCE

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

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

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

<i>Figures in thousand/Euro</i>	First six months of		Change	
	2017	2016	€	%
Total revenues	437,683	442,417	(4,734)	(1.1)
EBITDA	55,693	67,722	(12,029)	(17.8)
EBITDA Adj	58,477	70,471	(11,994)	(17.0)
EBIT	26,949	36,301	(9,352)	(25.8)
Profit/(loss) before tax	6,447	7,829	(1,382)	(17.7)
Net profit (loss)	2,034	(396)	2,430	>100
Earnings/(loss) per share	0.01	0.00	0.01	

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

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

- EBITDA
- EBITDA Adj
- EBIT

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

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

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

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

EBITDA represents the net profit attributable to the Group before income taxes, other financial income and expenses, amortisations and depreciations, other provisions, non-recurrent income and expenses, fees on bank guarantees and bank expenses and cost of personnel related to share-based remuneration (IFRS 2 charges). EBITDA Adj is defined as the EBITDA value before expenses related to bad or doubtful debts.

It is believed that the determination of EBITDA and EBITDA Adj are useful to both the management and the investors in assessing the operating performance of the Group, as well as for comparisons with other companies operating in the same sector, although these indicators may not be comparable with the same indicators used by the other companies.

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

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

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

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

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

<i>Figures in thousand/Euro</i>	First six months of		Change	
	2017	2016	€	%
EBIT	26,949	36,301	(9,352)	(25.8)
+ Depreciation of property, plant and equipment	10,265	10,194	71	0.7
+ Amortisation of intangible fixed assets	14,635	17,047	(2,412)	(14.1)
+ Other allocations	644	150	494	>100
Earnings before interest, tax, depreciation and amortisation	52,493	63,692	(11,199)	(17.6)
+ Commissions on bank guarantees and costs	3,186	2,671	515	19.3
+ Costs related to share-based remuneration (IFRS 2)	68	0	68	100
+ Non-recurring Costs (income)	(54)	1,359	(1,413)	>100
EBITDA	55,693	67,722	(12,029)	(17.8)
+ Expenses related to bad or doubtful provisions	2,784	2,749	35	1.3
EBITDA Adj	58,477	70,471	(11,994)	(17.0)

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

<i>Figures in thousand/Euro</i>	First six months of		Change	
	2017	2016	€	%
EBIT	26,949	36,301	(9,352)	(25.8)
+ Profit/(loss) of associates measured using the equity method	(541)	(5)	(536)	>100
+ Financial income	381	408	(27)	(6.6)
+ Financial costs	(20,338)	(28,877)	8,539	29.6
+ Net income (loss) on foreign exchange	(4)	2	(6)	>100
Profit before tax	6,447	7,829	(1,382)	(17.7)

B.2 Non-recurring income and costs

In the relevant period, the Group accounted for non-recurring income and costs occurred out of the normal course of business.

<i>Figures in thousand/Euro</i>	First six months of 2017
Non-recurring income and costs	
Income from lawsuit	(362)
Capital gains	(505)
Costs related to incomes from lawsuit	345
Costs related to non-recurring advisory	297
Voluntary redundancy schemes and related costs	91
Extraordinary AAMS requests related to prior periods	1,138
Other	(1,058)
Impact on EBITDA	(54)
Deferred expenses forecasted for the corporate restructuring	455
Impact on Profit before tax	401

The Board of directors believes the above figures to be extraordinary non-recurring items.

B.3 Economic and Financial Performance of the Group

Total revenues of the Snaitech Group decreased by 1.1% compared to the first half of last year, from Euro 442.4 million in the first six months of 2016 down to Euro 437.7 million in 2017. Revenues from sales and services totalled Euro 436.1 million in the first six months of 2017 compared to Euro 436.9 million of the first half of last year, with a 0.2% decrease mainly due to the higher payout level on Sports Betting and the increase of PREU tax rate on Gaming Machines (since April 2017), which was partially offset by the wagers increase in Online games and Sports Betting online and the benefit of a lower average payout on AWP.

Other revenues and income dropped by Euro 3.9 million from Euro 5.5 million in the first half of 2016 to Euro 1.6 million in the same period of 2017, due to a significant reduction of income from lawsuit.

The Group's EBITDA (defined in B.1) decreased by 17.8%, down to Euro 55.7 million in the first half of 2017 from Euro 67.7 million in the first six months of 2016, due to the higher payout on Sports Betting and the increase of PREU tax rate, notwithstanding the relevant synergies and operational efficiencies achieved through the merger with Cogemat group and the good performance of the Online business.

In the first six months of 2017 the non-recurring net income impacted EBITDA by Euro 0.1 million compared to Euro 1.4 million of non-recurring net costs of 2016. Such difference was mainly ascribable to capital gains arising from the sale of directly owned point of sales, benefits from refund of VAT paid in previous years and lower costs of non-recurring advisory, partially offset by extraordinary payments requested by ADM and related to previous years.

The Group's EBIT in 2017 settled at Euro 26.9 million compared to Euro 36.3 million for the first six months of the previous year.

The Group's result before taxes in the six months of 2017 was Euro 6.5 million, down by Euro 1.4 million compared to 2016, due to a lower net operating income and partially offset by lower level of depreciations and significant decrease of financial costs (given the better financial conditions achieved with the refinancing of bonds).

The net profit of the Group in the six months of 2017 was Euro 2 million, compared to a net loss of Euro 0.4 million in the same period of 2016.

The net financial indebtedness of the Snaitech Group as of June 30, 2017, was equal to Euro 431.5 million, versus Euro 480.9 million as of December 31, 2016. Such reduction Euro of 49.4 million is for the most part related to the increase in cash and cash equivalents by Euro 51.7 million, due to the rescheduling of concession fees payments and the refund of the security deposit for 2016 related to Gaming Machines.

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

<i>Figures in thousand/Euro</i>	First six months of	
	2017	2016
Revenues from sales and services	436,066	436,924
Other revenues and income	1,617	5,493
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(388)	(416)
Cost of services and third party assets	(333,441)	(321,409)
Costs of personnel	(26,693)	(30,466)
Other operating costs	(25,260)	(26,884)
Capitalised costs	592	450
Earnings before interest, tax, depreciation and amortisation	52,493	63,692
Amortisation and depreciation	(24,900)	(27,241)
Other expenses related to provisions	(644)	(150)
Earnings before interest and taxes	26,949	36,301
Gains and expenses from shareholdings	(541)	(5)
Financial income	390	417
Financial costs	(20,351)	(28,884)
Total financial income and expenses	(20,502)	(28,472)
PROFIT/(LOSS) BEFORE TAXES	6,447	7,829
Income tax	(4,413)	(8,225)
Profit/(Loss) for the period	2,034	(396)
(Loss)/profit from re-measurement on defined benefit plans after taxes	185	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	185	0
Profit/(Loss) from available-for-sale financial assets	0	17
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	0	17
Total profit/(loss) in comprehensive income statement, after taxes	185	17
Comprehensive profit (loss) for the period	2,219	(379)
<i>Attributable to:</i>		
Profit (loss) for the period pertaining to the Group	2,034	(396)
Profit (loss) for the period pertaining to Third parties	0	0
Total profit (loss) for the period pertaining to the Group	2,219	(379)
Total profit (loss) for the period pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	0.01	0.00
Diluted earnings (loss) per share in Euro	0.01	0.00

Snaitech Group – Condensed Consolidated Statement of Financial Position

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016
ASSETS		
Non-current assets		
Property, plant and equipment	131,329	135,273
Assets held under financial leases	326	420
Total property, plant and equipment	131,655	135,693
Goodwill	306,832	306,472
Other intangible assets	130,040	140,920
Total intangible assets	436,872	447,392
Investments measured using the equity method	1,974	2,515
Investments in other companies	46	46
Total investments	2,020	2,561
Deferred tax assets	47,354	51,288
Non-current trade receivables	6,777	2,314
Other non-financial assets	1,527	1,216
Financial assets	2,198	2,009
Total non-current assets	628,403	642,473
Current assets		
Inventories	221	199
Trade receivables	93,026	114,548
Other assets	37,428	53,326
Current financial assets	16,818	16,858
Cash and cash equivalents	134,025	82,337
Total current assets	281,518	267,268
TOTAL ASSETS	909,921	909,741
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to equity holders of the Parent Company		
Share capital	97,982	97,982
Reserves	20,713	37,482
Loss for the period	2,034	(16,954)
Total shareholders' equity attributable to equity holders of the Parent Company	120,729	118,510
Shareholders' equity attributable to non-controlling interests		
Total shareholders' equity	120,729	118,510
Non-current liabilities		
Employee termination indemnities	7,311	8,089
Non-current financial liabilities	559,284	557,414
Provisions for risks and charges	17,739	30,171
Other non-current liabilities	5,693	4,291
Total non-current liabilities	590,027	599,965
Current liabilities		
Trade payables	36,465	34,330
Other liabilities	156,500	151,102
Current financial liabilities	5,725	5,834
Current portion of long-term loans	475	0
Total current financial liabilities	6,200	5,834
Total current liabilities	199,165	191,266
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	909,921	909,741

Snaitech Group - Condensed Consolidated Cash Flow Statement

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of June 30, 2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the period attributable to equity holders of the Parent Company	2,034	(396)
Financial expenses	20,351	28,884
Amortisation and depreciation	24,900	27,241
Net change in deferred tax assets and liabilities	3,876	6,002
Change in provision for risks and charges	(12,432)	(6,254)
(Gains)/loss on disposal of non-current assets	(349)	142
Share of profit/(losses) of associates measured using the equity method	541	5
Net change in employee termination indemnities	(535)	35
Net change in non-current assets and liabilities	(3,053)	(1,449)
Net change in current trade assets and liabilities and other changes	45,495	13,557
Cash and cash equivalents generated by operations	80,828	67,767
Taxes paid	(916)	(113)
Interest paid	(17,807)	(26,028)
CASH FLOW FROM OPERATING ACTIVITIES (A)	62,105	41,626
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(6,318)	(6,681)
Investments in intangible assets	(3,755)	(6,425)
Acquisition of business units	(240)	0
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	353	234
CASH FLOW USED IN INVESTING ACTIVITIES (B)	(9,960)	(12,872)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Change in financial receivables and other financial assets	(149)	3,124
Change in financial liabilities	(1,719)	(681)
Proceeds from bank loans	1,450	0
Repayment of bank loans	(39)	0
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	(457)	2,443
D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)		
E. TOTAL CASH FLOW (A+B+C+D)	51,688	31,197
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)		
	82,337	107,588
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY		
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)		
	134,025	138,785

Snaitech Group - Net financial indebtedness

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016
A. Cash	883	1,226
B. Other cash and cash equivalents	133,142	81,111
<i>Bank accounts</i>	131,259	79,095
<i>Postal accounts</i>	1,883	2,016
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	134,026	82,338
E. Current financial receivables	0	0
F. Current bank debts	137	141
G. Current portion of non-current indebtedness	475	0
H. Other current financial payables	5,588	5,693
- For interest on bond loans	5,311	5,352
- Payables to other lenders	277	341
I. Current financial indebtedness (F) + (G) + (H)	6,200	5,834
J. Net current financial indebtedness (I) - (E) -(D)	(127,826)	(76,504)
K. Non-current bank debts	936	0
L. Bonds issued	558,128	557,115
M. Other non-current payables	220	299
- Payables to other lenders	220	299
N. Non-current financial indebtedness (K) +(L) + (M)	559,284	557,414
O. Net financial indebtedness (J)+(N)	431,458	480,910

Net financial position does not include restricted bank accounts and deposits of Euro 16,778 thousand (included in the item "Current financial assets"), the dedicated bank account of Euro 39 thousand and other non-current financial assets of Euro 2,198 thousand.

The net financial indebtedness decreased by Euro 49,452 thousand compared to the level as of December 31, 2016. Such decrease is for the most part due to the increase in cash and cash equivalents by Euro 51,688 thousand, caused by the refund of Euro 37,117 of security deposit related to Gaming Machines and by net working capital movements. Conversely, the gross financial indebtedness (current and non-current) increased by Euro 2,236 thousand due to the amortised cost method applied to bonds and the new bank loan of Euro 1,450 thousand.

B.5 Covenants

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

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

Snaitech S.p.A., according to the Senior Revolving credit facility, undertook to provide a Compliance Certificate, on a quarterly basis, confirming the absence of events of default in the relevant period.

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

C MARKET AND BUSINESS PERFORMANCE
C.1 National Gambling Market

Based on the available data (ADM official data, press release and sectorial studies) the estimated total wagers from gambling grew approximately by 6% compared to the same period in 2016, to settle at Euro 50.4 billion.

In particular, gross overall wagers for Snaitech Group's addressable market (Gaming Machines, Betting and Online both on Retail and Online channel) grew by 8.4%, compared to 2016, to reach Euro 40,120 million: wagers from Gaming Machines decreased by 1.3% (down to Euro 24.5 billion, compared to 2016) while wagers from Betting both on Retail and Online channel grew respectively by 34.4% and 26.8% compared to 2016, to settle respectively at Euro 3.2 billion and Euro 12.4 billion. Out of Snaitech Group's addressable market, National Totalizer Games and Betting Exchange increased while Lotto, Lotteries and Bingo on Retail channel decreased.

The reduction of wagers from Gaming Machines is mainly due to the decrease of AWP's wagers (-5.2% versus 2016 down to Euro 12.6 billion) partially offset by the small growth recorded in VLT's wagers (up by 3.2% to Euro 11.8 billion). The AWP's wagers reductions were caused by the lower payout introduced in 2016 and tighter local regulations on distance from sensible places and opening hours.

The growth of the Retail Betting segment is mainly ascribable to the entrance of new concessioners occurred last year (from the grey market to the regulated market) and to the higher payout recorded in the first six months of 2017 versus 2016 (86.7% vs. 81.4%), although wagers in the first half of 2016 were slightly boosted by the European football championship.

The growth of Online Betting segment is attributable both to the organic growth (given the wider Internet and mobile devices diffusion) and the entrance of new concessioners.

<i>Figures in million/Euro</i>	Market		
Breakdown by business segment	1H 2017	1H 2016	Change %
AWPs (par. 6A)	12,600.8	13,290.6	-5.2%
VLTs (par. 6B)	11,781.1	11,418.6	3.2%
Par. 7	116.8	118.0	-1.0%
Gaming Machines	24,498.7	24,827.1	-1.3%
Sports Betting	2,213.7	1,559.3	42.0%
Betting Pool	9.4	14.7	-36.1%
Horse racing Betting	253.4	292.3	-13.3%
Virtual Events	728.2	517.7	40.7%
Retail Betting	3,204.8	2,384.0	34.4%
Sports Betting	2,738.9	1,916.4	42.9%
Betting Pool	0.4	0.6	-31.8%
Horse racing Betting	35.9	34.6	3.8%
Virtual Events	35.4	33.5	5.7%
Online Games (Skill Games, Casino Games and Bingo)	9,606.0	7,810.0	23.0%
Online	12,416.6	9,795.0	26.8%
Total addressable market	40,120.0	37,006.1	8.4%
Betting Exchange	550.6	369.0	49.2%
Retail Bingo	738.3	748.4	-1.4%
GNTN	755.5	692.3	9.1%
Lotteries	3,715.3	3,984.7	-6.8%
Lotto	4,523.9	4,555.2	-0.7%
Total Gambling Market	50,403.7	47,355.7	6.4%

C.2 Snaitech performance

Snaitech Group, by collecting total wagers of Euro 4,949.4 million, is the leading operator on the Retail Betting segment, second operator on the Gaming Machines segment and one of the main players on the Online segment (Betting and Games).

In the Retail Betting segment, the Group provides specialised services to other concessioners ("Concessioner clients"), for a total number of 556 point of sales (many of them exposing Snaitech logo) and Euro 225.4 million wagers collected in the first six months of 2017 (0.6% market share), down by 11.9% compared to 2016.

Finally, the Group grew also in the payment and top-ups services through the Payment brand: in the first six months of 2017 wagers totalled Euro 47.1 million (down by 21.5% compared to 2016 due to the suspension of some of the services provided).

C.3 Market shares

The Group has an overall market share of 12.3% of the addressable market, lower than 2016 due to the entrance of new operators in the Online segment and in the Retail Betting segment (the latter with migration of operators from grey market to regulated market).

Figures in million/Euro Breakdown by business segment	1H 2017		1H 2016	
	Wagers	Market share	Wagers	Market share
AWPs (par. 6A)	1,825.5	14.5%	2,016.8	15.2%
VLTs (par. 6B)	1,751.8	14.9%	1,783.4	15.6%
Par. 7	-	0.0%	-	0.0%
Gaming Machines	3,577.3	14.6%	3,800.1	15.3%
Sports Betting	384.7	17.4%	373.7	24.0%
Betting Pool	0.8	8.9%	1.3	8.9%
Horse racing Betting	98.1	38.7%	114.5	39.2%
Virtual Events	128.3	17.6%	151.6	29.3%
Retail Betting	611.9	19.1%	641.1	26.9%
Sports Betting	185.3	6.8%	133.5	7.0%
Betting Pool	-	0.0%	0.1	12.5%
Horse racing Betting	11.6	32.4%	11.0	31.8%
Virtual Events	10.4	29.3%	10.6	31.6%
Online Games (Skill Games, Casino Games and Bingo)	552.9	5.8%	443.5	5.7%
Online	760.2	6.1%	598.7	6.1%
Total - Snaitech Group	4,949.4	12.3%	5,040.0	13.6%

Source: Internal analysis. Market shares calculated on ADM official data, press release and management estimate

C.3.1 Gaming Machines segment

Snaitech Group is the second most important market operator with a market share of 14.6%.

At the end of the period, the Group owns 58,491 AWP licences deployed in approximately 14,568 point of sales and 10,378 VLT licences, of which 10,026 associated with working VLTs deployed in 1,255 point of sales. Group wagers from Gaming Machines decreased from the same period of last year, lowering from Euro 3,800 thousand to Euro 3,577 thousand (down by 5.9%). This reduction is due to tighter local regulations on distance from sensible places and opening hours and the lower AWP payout (from 74% to 70%) occurred gradually in 2016. In more details, in the first six months of 2017 the wagers from VLTs and AWP were respectively Euro 1.75 billion (down 1.8% compared to 2016) and Euro 1.83 billion (down 9.5% compared to 2016).

C.3.2 Retail Betting segment

Snaitech Group is the leading concessioner with a market share of 19.1%.

The Retail distribution network of Betting business relies on 1,601 point of sales divided between 694 shops and 907 corners.

In the first six months of 2017, wagers from Sports Betting grew by 2.9%, up to Euro 0.385 billion from Euro 0.374 billion in 2016, due to a higher payout and to the rationalisation of distribution network and products optimisation. Payout level (winnings out of wagers collected) in first half of 2017 reached 85.1% compared to 82.1% recorded in the same period of 2016.

In the first six months of 2017, Horserace Betting and Virtual Events suffered from a wagers reduction, compared to 2016, respectively by 14.3% (down to Euro 0.098 billion) and 15.4% (down to Euro 0.128 billion).

With regards to the point of sales of former Finscom and SIS, the outsourcing program is still under implementation with nineteen shops sold and one shop closed down due to low profitability.

C.3.3 Online segment

In the first six months of 2017, Snaitech Group consolidated its position in the Online segment, which grew significantly by 27% versus 2016, up to Euro 0,76 billion from Euro 0.599 billion. Such increase was mainly attributable to products revisions and acquisition/enhancement of retail distribution network. In more details, wagers from Sports Betting were Euro 0.185 billion (up by 38.8% compared to 2016) and wagers from Online Games (Casino, Skill games and slot) were Euro 0.553 billion (up by 24.7% compared to 2016).

D SIGNIFICANT EVENTS

D.1 Negotiations with Trade Unions

On February 2016, the negotiations with trade unions started, at the national and local level, in order to determine the post-merger corporate structure (following the merger by incorporation into Snaitech S.p.A. of Cogemat group) both in terms of overall headcounts and geographical distribution of divisions and functions between Milan, Rome and Porcari. The procedure started on March 21, 2017 affecting 70 employees (2 executives and 68 employers/middle managers/workers) and the final agreement for employers/middle managers/workers was reached on May 26, 2017 before the Ministry of Labour. The main points were:

- 1) Use of the Wage Guarantee Fund (for a period of 26 weeks worked at zero hours, starting from July 3, 2017 for a maximum number of 66 employees).
- 2) Voluntary redundancy schemes to employees, starting from the execution of the agreement before the Ministry and the termination of usage of the Wage Guarantee Fund.

The last meeting was held at national level on July 25 in Florence and main topics of the agenda were: current status of voluntary redundancy schemes scheduled for June 30 and July 31, 2017 as well as job rotation and criteria for the affected employees. Next meeting with union is scheduled on September 12 with the goal to negotiate the renewal of certain collective agreements as well as provide updates on further adherences to voluntary redundancy schemes for next months.

On March 21, 2017 the layoff procedure for 17 employees of Società Trenno S.r.l. (both in Milan and Montecatini premises) started and several meeting are scheduled in accordance with art. 4 of law 223/91. The union representatives requested to the Company to extend the terms in order to carry out some analyses and identify possible solutions. In this extension period, the same representatives would freeze any union initiatives already planned or to be planned by the employees general meeting. The layoff procedure is still in place. The next meeting is scheduled on July 24 with the aim to manage the redundancies and the renewal of certain collective agreements.

In 2016, SNAI Rete Italia has undergone a revision of its organizational structure, which no longer included the direct management of the point of sales. As a consequence, a reduction of the directly owned point of sales was carried out either by shutting down the low performance business along with the redundancy procedures or by transfer of business units. The downsizing process is still running and should be concluded by December 2017.

D.2 Transfers of Business Units

In the first six months of the year, some conditions precedent were satisfied for the disposal of the following premises: Milan via Brunelleschi, Corsico, Cesano Maderno, Bresso, Novate Milanese, Paderno Dugnano, Bologna via Saffi, Bologna via Panigale, Bologna via Amaseo, Gorgonzola, Palermo via Petrarca, Palermo via Bersagliere, Palermo via Streva, Bagheria and Sesto San Giovanni.

The Bastia Umbria shop was not sold since the relevant authorities did not release the relevant TULPS.

On April 28, 2017, the Brugherio shop closed down to its unsatisfactory profitability.

In May and June the sale of deeds of the following shops were executed: Rome via Giardinetti, Pavia viale Partigiani, Legnano, Casorate, Rome via De Andreis, Milan via Famagosta, Avola, Catania via Firenze, Catania via Barriera del Bosco, Bologna via Polo, Opera, Milan via Romeo, San Lazzaro di Savena, Rome via Alessandrini, Rome via Aspertini and Bastia Umbra. The sale deeds of shops located in Rome via Giardinetti, Pavia viale Partigiani, Legnano and Casorate were executed with immediate effect while the completion of all the other deeds is subject to the TULPF release by the relevant authority.

For any update occurred after June 30, 2017 please refer to paragraph L.2 "Events after the reporting period".

D.3 Rejection of the motion challenging the resolution issued by the shareholders' meeting of Snaitech S.p.A. dated June 9, 2016

On January 13, 2017, Snaitech S.p.A. publicly stated that, the motion challenging the resolution issued by the shareholders' meeting of Snaitech dated June 9, 2016, concerning the third item of the agenda (appointment of the members of the Board of directors of the Company) and promoted by some shareholders of Snaitech (where such action was already notified to the market on September 12, 2016), on January 11, 2017 the Court of Florence rejected the interim motion aimed at obtaining the suspension of the implementation of the above resolution, thus accepting the arguments of the Company and ruling as unsubstantiated both the so called "fumus boni iuris", i.e. the alleged validity of the claims of the petitioners, and the periculum in mora, i.e. the reasons for urgency brought up by the petitioners.

More specifically, the Judge confirmed the correctness of the actions taken by the Chairman of the Shareholders' Meeting in ensuring a fair ratio of the list submitted by the petitioner to the list submitted by the majority shareholder of Snaitech, Global Games S.p.A.

The Judge confirmed the legitimacy of the actions undertaken by the Company and by the Chairman in managing the Shareholders' Meeting of June 9, 2016.

On January 25, 2017, the petitioners filed a complaint against the Court of Florence order; the related appeal and the decree scheduling the hearing were notified on February 27, 2017. The hearing was held on April 03, 2017. The Court initially reserved the right to rule on the complaint and subsequently rejected the motion.

The court of Florence, after the initial reserve period, rejected the appeal.

D.4 Resolution on merger by incorporation Società Trenno S.r.l. (wholly owned subsidiary) into Snaitech S.p.A.

The Board of directors of Snaitech S.p.A., on February 7, 2017, resolved, by means of a public deed, pursuant to article 15 of the Articles of Association and ex-article 2505, paragraph 2, of the Italian Civil Code, on the merger by incorporation into Snaitech S.p.A. of the wholly owned subsidiary Società Trenno S.r.l. (the "Absorbed Company"), as described in the plan of merger approved by the board of each company boards and made available on December 16, 2016.

On the same date, the shareholders' meeting of the Absorbed Company has also approved the transaction.

The transaction is part of a broader process of the Group restructuring, aimed at simplifying its structure and better exploiting current operating, administrative and corporate synergies.

It must be noted that since the requirements for the so-called "simplified" merger were met, pursuant to Art. 2505 of the Italian Civil Code, no share exchange ratio or method for share assignment needed to be decided upon. Snaitech will not amend its own share capital due to the merger, nor will it issue new shares and therefore there will be no impact on the Company's shareholders base. With the execution of the merger agreement, the share representing 100% of the capital of the Absorbed Company will be written off, with no substitution. Finally, this merger transaction does not recognise any right to withdraw for the shareholders.

Snaitech shall promptly communicate any further significant event concerning the transaction in question, under the terms and conditions set forth in the current legal and regulatory provisions.

For a more detailed description of the terms and conditions of the transaction, see the press releases and the other documents filed and made publicly available at the Company's premises, on its web site and at Borsa Italiana premises respectively on December 16 and 19, 2016.

D.5 Shareholders' Meeting held on March 13, 2017

The Shareholders' Meeting of SNAITECH S.p.A. met on March 13, 2017 in Milan, in an ordinary and extraordinary session, under the chairmanship of Ms Mara Caverni.

In the extraordinary session, the Shareholders' Meeting approved, along with some formal changes to the corporate bylaws, i.e. aimed at guaranteeing a better functioning of the corporate bodies and of the Company's governance, the change of the name of the Company from "SNAI S.p.A." into "SNAITECH S.p.A.". Such change, as proposed initially by the Board of directors, was conceived to ensure continuity (also from a merely lexical perspective) of the wealth of know-how, expertise and skills of the SNAI Group (now Snaitech) and the Cogemat/Cogetech Group now fully integrated following the merger of November 2016.

The change in name did not affect the trademarks, therefore the Company will continue to operate in the market under the following trademarks: SNAI, iZiplay, Vincenzo and Paymat.

The new corporate name, preserving both the historical legacy of the SNAI Group and the recent addition of the Cogemat/Cogetech Group, aims to highlight and leverage with all the stakeholders on the important growth of the Group and its business, following the corporate merger and the consolidation carried out in recent months, which has included, inter alia, the finalisation of additional extraordinary transactions aimed establishing a single concessioner able to concentrate all competencies and activities previously carried out by different entities; the objective is the creation of a market leading operator capable of competing with the main players of the industry.

In the ordinary session, the Shareholders' Meeting confirmed Mr Maurizio Leo as a member of the Company's Board of directors. Mr Leo was co-opted to replace Mr Del Torchio, who resigned. The newly appointed Director shall remain in office, as with the other members of the Board, until the approval of the financial statements of Snaitech S.p.A. as of December 31, 2018.

In the same ordinary session, the Shareholders Meeting approved two incentive plans for the Managing Director and other executives of the Snaitech Group and mandated the Board of directors with broadest powers to manage and implement the above-mentioned plans. Further details thereof are provided in Note 9.1. The information documents of the incentive plans are available on the Company web site at www.snaitech.it.

The change of the corporate name and the additional amendments to the corporate bylaws approved by the Shareholders' Meeting became effective on March 15, 2017 with the filing of the resolution issued by the Shareholders' Meeting with the Companies Registry of Milan. Given the above, the new corporate name "Snaitech S.p.A." has also become effective.

D.6 Ordinary inspection by UIF (Financial Intelligence Unit)

On March 21, 2016, the Bank of Italy - UIF (Financial Intelligence Unit) launched an ordinary investigation on the Company pursuant to articles 47 and 53, par. 4, of the Legislative Decree 231/07.

The inspection mainly focussed on those activities related to suspicious transactions reports and more precisely, the reports produced for year 2014 - 2015 - 2016 (the latter with reference to the first three months of the year).

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

The investigation was performed on those transactions requiring specific due diligence 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.

On February 14, 2017, the Company received from UIF official notification of the completion of the assessment.

It was challenged one alleged omission on 1 transaction related to a win by Euro 122,800 on VLT.

The potential penalty ranges between 1 and 40% of the challenged amount.

On March 16, 2017, a defence to request a hearing was filed with the Ministry of Finance, according of the administrative procedure L 689/81. Following such request, the Ministry of Finance has fixed the hearing date for September 26, 2017.

D.7 Repeal/expiry process of 27 Betting licenses

Snaitech, through a stay of execution, challenged before the Regional Administrative Court the administrative proceedings issued by ADM and notified on March 14, 2017. Such proceedings relate the withdrawal of 27 licenses of Horsrace and Sports betting caused by the interruption of bets collection for a number of days exceeding the maximum number set forth in the concession agreement.

Following the public hearing on April 26, 2017 to assess the Company request for a stay of execution, the Regional Administrative Court, with a decree dated April 27, 2017, rejected the request and deferred any decision to the hearing on merit.

The Company filed additional motivations and a provisional remedy before the hearing on merit occurred on June 21, 2017. The following events happened before such hearing.

On May 26, Snaitech filed a motion to request the revision of the aforementioned ADM proceedings (the motion was filed following the judgment of Court of Lucca on May 19, 2017).

ADM with proceedings n. 62618 of 14 June and n. 64130 of 13 June suspended the withdrawn of the licences; meanwhile with proceedings n. 67811 of 27 June 2017 suspended the assignment of such licences to Eurobet. Such actions were taken by ADM pending the trial before the Court of Lucca.

Additionally, ADM issued the circular n. 62147 of 13 June 2017 and the note on fulfilments by point of sales, pursuant art .110, par. 6, b) of TULPS, providing general indication to suspend licences until the judgement of similar contest.

Snaitech has therefore filed a new motion, which restates the initial motivations, and requested both motions to be handled by the same council chamber. On Jun 21, 2017 the council postponed the hearing and requested applicant to file an additional motion justifying the need of precautionary measures required by the Company.

Any update on further development occurred after June 30, 2017 is reported on paragraph L.2. "Events after the reporting period".

D.8 Purchase of VLT licenses

On February 22, 2017, Snaitech S.p.A. paid Euro 1,500 thousand to purchase 100 VLT licences, out of the 312 ones to be assigned.

D.9 Extension of the guarantees provided to ADM

As the tender to renew the betting licences was not called, ADM in June 2016 requested concessioners, should they wish to participate in the tender, to extend the guarantees until June 30, 2017 plus an additional year necessary for any recovery activities (June 30, 2018).

Given the missed agreement between central Government and Local Authorities on Conferenza Unificata and the impending expiry of the current guarantees, ADM, with a note dated March 28, 2017, requested the Company to extend the outstanding guarantees by 12 months within June 30, 2017. Snaitech S.p.A., as per the ADM request, presented on June 26, 2017 its extension of the guarantees to cover any events until June 30, 2018 plus an additional year for any recovery activities (June 30, 2019).

D.10 Restitution of the security deposit by ADM on game machines

In March, ADM informed Snaitech S.p.A. about the percentage threshold reached on services and needed to determine the security deposit to be returned for the full year 2016. On May 17, 2017 the Company was refunded with 37,117 thousands of Euro as security deposit.

D.11 SNAITECH/Omniludo S.r.l. Lawsuit

As regards the claim filed by Omniludo S.r.l. seeking compensations for damages due to the breach of the exclusivity right set forth in the agreement executed by the parties, Snaitech S.p.A. chose an out-of-court settlement: the appeal proceeding filed with RG 1029/2015 was extinguished by the Court of Appeal of Florence on February 17, 2017.

D.12 Tax assessment report – PVC

In June 2015, the Tax Authority Director of Tuscany region started a general tax assessment on Snaitech for the years 2011, 2012 and 2013 and on October 14, 2016 the Tax Director issued assessment report. On December 29, 2016, the Company was served with a notice of assessment concerning both the value-added taxes for the year 2011 and the corporate taxes for the year 2011.

Following the afore-mentioned assessment notices, on January 11, 2017, the Company submitted a tax settlement proposal for a final *inter-partes* resolution. These activities led to the definition of the amounts assessed for the year 2011 extending them also to the year 2012 and 2013.

On April 7, 2017, the settlement agreements for the years 2011-12-13 were executed for a total amount of Euro 3,008 thousand, including interests and without penalties due objective vagueness of the law. The related amount was deferred into 16 quarterly instalments as allowed by the tax law.

In January, the Lucca Provincial Division of Tax Authority started a general tax assessment on the subsidiary Teleippica S.r.l. and on April 12, 2017 served the Company with a tax assessment report, which contested the deduction of costs and VAT associated with the charge-back of management services by the parent company Snaitech. The Company believes in its fair conduct and considers the claim unfounded, both in fact and in law, and therefore has decided not to make any provision for it. On June 6, 2017 Teleippica S.r.l. submitted an explanatory memory on the tax assessment report, which challenged it both in fact and in law.

D.13 Compliance assessment of gaming systems and VLT machines - amount related to 2016

With notice no. 36293 of April 03, 2017 (“ADM Note of April 3, 2017”), the Gaming Machine division of ADM requested Snaitech to pay Euro 283,945.07 to cover the costs of the compliance assessment activities performed on gaming systems and VLT machines by the technological partner SOGEI S.p.A. in 2016, in relation to which ADM made annual prepayments in favour of SOGEI S.p.A..

The Company filed an appeal to the Regional Administrative Court of Lazio to invalidate the notice. Such appeal is still waiting for the hearing date to be scheduled. Pending such appeal, the Company however paid the amount due, following the ADM note received on May 18, 2017.

D.14 Approval of Budget and Business Plan for the period 2017 – 2019

In April 2017, directors approved the Budget for the year 2017 and the three-year Plan for the period 2017-2019.

D.15 Corrective measure of public accounts

On April 24, 2017 the decree n. 50 titled “*Urgent financial measures, initiatives in favour of local and regional authorities and additional measures on development and areas affected by earthquakes*” was published in the Official Journal.

More specifically, article 6 of the decree increases the PREU (tax rate) by:

- 1.5% for AWP’s up to 19% on wagers;
- 0.5% for VLT’s up to 6% on wagers.

The tax increase is effective starting from the publication date of the decree in the Official Journal.

Additionally, the same article sets forth the following provisions, effective from October 1, 2017:

- Doubling the tax rate (from 6% to 12%) on winnings higher than Euro 500 earned on instant lotteries, VLT, Superenalotto and Win for Life;
- Tax rate increase from 6% to 8% on Lotto winnings.

The decree n.50 dated April 24, 2017 and subsequent amendments were converted into law n. 96 of June 21, 2017. It was published in the Official Journal on June 23 and came into force on June 24.

For further information, please see par. K.1 “Additional consolidation measures to the Budget law for 2017”.

D.16 ADM and Snaitech S.p.A./A.GI.SCO. - Rejection of ADM authority over agreements between concessioner and machines owners

On April 27, 2017 the Regional Administrative Court of Lazio notified to Snaitech the judgement dated March 29, 2017, which deemed that ADM had the authority to approve the framework agreements with A.GI.SCO, pursuant to art. 15 of the framework agreement (“Monti tender”) and should have informed A.GI.SCO on whether and when it had authorised the framework agreements executed by its affiliates with Snaitech.

On June 22, 2017 the Company filed an appeal against the judgement restating that the above-mentioned agreements fall under the scope of private law. The judgement has been challenged also by ADM, which filed an appeal notified to Snaitech on June 27, 2017. The hearing to assess the requests for stay of execution was held on July 27, 2017 and subsequently the State Council, with order dated July 28, 2017, suspended the challenged judgment.

D.17 Conferenza Unificata (Joint Congress of central and local governments)

The congress meets regularly to discuss, amongst other topics, potential agreements between the government and local entities, in order to regulate and harmonize on a national basis regulation for legal

gaming. The Undersecretary, Mr Pier Paolo Baretta, has submitted the new proposal from the Government, which acknowledges the motions filed by the large majority of mayors and the regions, to reorganise the territorial distribution despite an agreement has not yet been reached.

As envisaged by the 2016 Stability Law, this agreement is condition precedent to launch the tender on the betting licences renewal, already expired last June 30, 2016 and currently under extension procedure. The date for the new tender has not yet been set.

D.18 Payments of uncollected tickets and financial interest accrued on dedicated bank account

ADM issued a note n. 52046 on May 17, 2017 requesting concessioners to provide, by May 30, 2017, proofs of the amounts specified in the note for the period 2010 up to March 19, 2013 (related to the concessioner statements on key gaming figures already submitted for the relevant periods).

Snaitech with a note dated May 30, 2017 requested ADM to establish a negotiation table also with the other concessioners. Following the meeting, ADM issued a note n. 66912 on June 26, 2017 to provide further clarifications and extend the payment deadline up to July 15, 2017. On July 17, 2017, the Company paid Euro 1,138 thousand and has informed ADM that such payment is subject to further clarifications.

Contextually, on the same date, the Company notified ADM with a motion filed before the civil court of Rome to appear on November 20, 2017 with the aim to obtain:

- First of all, the inexistence of ADM credit on winnings and the refund of payment made;
- The expiration of ADM's right to claim credits on winnings and the refund of payment made;
- Finally, the inexistence of ADM credit on wagers collected in the relevant period.

D.19 Shareholders' Meeting held on May 26, 2017 / Events related to the Board of directors

Shareholders' Meeting held on May 26, 2017

On May 26, 2017 the Shareholders' Meeting of Snaitech S.p.A.:

- Approved the annual Financial Statements as of December 31, 2016 and resolved for a loss carry forward;
- Approved the first section of the Remuneration Report;
- Appointed the Board of Statutory Auditors, which is represented by Mr Angelo Miglietta (chairman), Mr Massimo Gallina (regular auditor), Mrs. Mariateresa Salerno (regular auditor), Mrs. Elena Alberoni (substitute auditor) and Mrs. Raffaella Guatri (substitute auditor). The total annual compensation is fixed in Euro 120,000 of which Euro 50,000 remunerates the chairman and Euro 35,000 for each regular auditor.

Appointment by co-option of a member of the Board of directors

On June 26, 2017 the Board of directors appointed, pursuant to art. 2386 c.c., Mr Roberto Maestroni as non-executive Board member to replace Mr Angelo Giovannone, who resigned on June 22, 2017 due to further professional commitments.

Mr Roberto Maestroni, whose appointment will be effective until the next Shareholders' Meeting, fulfils all the conditions required by law and applicable to board members of listed companies.

E DIRECTORS' GOING CONCERN ASSESSMENT

The economical and financial health of the Snaitech Group has been historically affected by: (i) negative results, partially due to exogenous events and to a significant amount of depreciations and financial costs (ii) valuable intangible assets against a low equity amount affected by cumulated losses (iii) a significant indebtedness level and limited room to repay it further due to the cash-flow absorption from operating and financing activities.

Directors highlight that the achievement of Group's net profit of Euro 2 million (in the first six months of 2017) is in line with the forecast of the business plan and is due to several factors, briefly mentioned hereinafter, which contributed to structurally improve the business performance.

In relation to the integration with the Cogemat Group, directors notice the benefits rising from such transaction: (i) share capital increase by Euro 37.2 million and more generally an increase of the equity level by Euro 140 million (ii) improvement of financial ratios (iii) consolidation of the leadership in the Retail Sports Betting and Gaming Machines market segments (iv) rationalization of the corporate structure and the

improvement of operational effectiveness (v) synergies plan to reduce operating, corporate and concession expenses.

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

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

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders.

Furthermore, with reference to the betting tender, it is important to highlight that, according to the public data available from the market, the number of rights to be allotted with the tender is higher than the point of sales currently operating across the entire country: the distribution network, as per the latest ADM revelation on June 2017, has 4,120 corners and 5,639 shops (including 2,521 CTD "grey" operators now fully licensed) against respectively 5,000 and 10,000 rights available with the tender. In addition to the point of sales licensed by ADM, it must also be taken into account those agencies acting as data centre for transmission only (CTD), which collect bets on behalf of foreign bookmakers without any licence. These operators account for approximately 4,800 units, with more than 2,500 now fully authorised by ADM as of June 30, 2017. Even in the possible scenario where all the CTD are authorised and join the tender, the number of rights offered is likely to be higher than the potential demand. Even in such unlikely scenario, given the current level of requests to regularize, the possible amount to pay for the renewal should not negatively affect the sustainability of Group indebtedness.

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

Given the refinancing transaction, the financial results achieved and the aforementioned considerations as well as the Business Plan indications for 2017-2019, directors does not foresee any uncertainty on going concern, notwithstanding the uncertainly related to future events and specific features of the industry.

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

F.1 Main risks

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

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

Concession and Regulatory-related risks

The Italian betting and gaming sectors are highly regulated by ADM, which establishes (i) games to be introduced in Italy and fixes also the costs to be charged on wagers by the operators, (ii) the payout level for the winners, (iii) for specific activities, the level of remuneration for concessioners, including Snaitech S.p.A.

(iv) the maximum number of point of sales and whether a concession is assigned to single or multiple operators and (v) the minimum service levels.

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

The non-renewal (or partial renewal) of the concessions due on June 30, 2016, could have negative impact on the cash flows from operating activities functional to the indebtedness, on the maintenance of the outstanding credit facilities, as well as on the maintenance of the goodwill recorded in the financial statements (with possible implications on a going-concern basis). To-date, the formalities and timing for the new tender are yet unknown and therefore all the concessioners, including Snaitech Group, run under the extension regime above-mentioned.

If the Group does not manage to maintain a positive working relationship with ADM, or if such relationship should be negatively influenced for any reason, there may be negative impacts on the business and on the income statement, balance sheet and/or financial situation of the Company and the Snaitech Group.

Furthermore, any failure to comply with the applicable laws, regulations and rules could lead to investigations and enforcement actions, the revocation or non-renewal of the concessions or the licences needed to run the business, criminal and/or administrative sanctions or the separation, suspension or termination of the activities of the Snaitech Group.

As regards the failure risk to comply with the applicable laws and regulations, in addition to the aforementioned comments, the Company believe to have implemented an appropriate corporate structure capable of monitoring such risk.

With reference to the concession agreements, it is worth highlighting the risk associated to possible changes of taxation on the gambling market (usually regulated by Stability Law and ad hoc decrees).

Finally, local regulations and regional laws on opening hours and distance from sensible premises may impact wagers.

Exchange rate risk

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

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

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

Market Risk

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

Credit Risk

Credit risk is the risk of financial loss deriving from a client or counterpart that does not fulfil its contractual obligations. Collecting wagers from betting and gaming activities performed on national point of sales may expose the group to credit risk, since its revenues originate from the concessions released by ADM.

This is due to the fact that bankruptcy and losses, incurred by one or more members of the distribution network, or the interruption of relationships with one of the latter for any reason, may negatively impact the Group's result from operating activities, business, financial conditions and prospects.

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

Liquidity Risk

Liquidity risk is the risk of unavailability of proper sources of funding for the Group business. The Group's ability to renew its existing agreements and to invest in new contractual opportunities depends upon its capacity to access new sources of funding for such investments. To purchase and renew concessions, as well as maintain and invest to rejuvenate technologically the distribution network, typically requires significant cash outflows, and the eventuality of not having enough liquidity at the right moment may negatively impact the Group's result from operating activities, business, financial conditions and prospects. The Group's exposure to such risk was significantly mitigated by the refinancing transaction executed on November 2016 with the issuance of bonds and the subscription of a revolving credit facility, undrawn as of June 30, 2017.

Country Risk

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

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

Operating Risk

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

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

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

The Group operates in a highly technological environment and any problems in protecting the integrity and security of this environment may result in unexpected costs and legal damages that could negatively affect the company's brand and the reputation, which is key to achieve the target results.

Finally, bad press on betting business promoted by national or local authorities, media or private organisations may damage the reputation of the Snaitech brand and other Group brands and consequently have a negative effects on the Group's result from operating activities, business, financial conditions and prospects. Analogously, the Group business may be negatively impacted by the illegal gaming and betting.

F.2 Main uncertainties

Legal proceedings

Given the nature of its business, the Group is involved in a series of legal, regulatory and arbitration proceedings, which relates to, among other things, potential assets and liabilities, as well as injunctions asked by third parties and related to regular business activities. The outcomes of these proceedings or similar proceedings cannot be predicted with certainty. Unfavourable conclusions of such proceedings or significant delays in the resolutions could have adverse effects on the Group's business, financial condition and results. For a description of the main legal proceedings and potential liabilities, please see paragraph 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 for directors, executives, main shareholders and key employees. The Group is of the view that it has developed procedures, which ensure compliance with the regulatory requirements. However, any failure for the Group to comply with or match suitability requirements could lead the regulators to limit the Group's business.

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

G RELATED PARTY TRANSACTIONS

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

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

Such revision was performed in compliance with Consob memorandum DEM/10078683 of September 24, 2010, which recommends companies to assess, at least every three years, the opportunity to carry out a revision of the procedure, taking also into account any changes to corporate shareholders occurred in the meanwhile as well as the effectiveness of the procedures in practice.

The Procedure, available on the Company website (www.snaitech.it), ensures that transactions with related parties are transparent and carried out in compliance with criteria of procedural and substantial fairness.

In the notes to the condensed consolidated half-year financial statements, under Note 34, all the activities with related parties are shown in the balance sheet, income and financial statements of the Snaitech Group.

H HUMAN RESOURCES

As of June 30, 2017, the Snaitech Group had 1,029 employees, in reduction by 102 employees from year-end 2016.

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

The table below shows a breakdown by employees grading:

Snaitech Group	As of June 30, 2017	As of December 31, 2016	As of June 30, 2016
Executives	28	28	31
Office workers and middle managers	950	1,049	1,220
Blue-collar workers	51	54	61
Total Employees	1,029 (*)	1,131 (**)	1,312 (***)

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

(**) 258 part-time and 19 on maternity leave

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

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

On February 2017, following an assessment conducted by the INPS on the appropriateness of the collective agreements adopted by the group, the agreements of the industrial sectors were changed in favour of the trade and service sectors.

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

Società Trenno S.r.l., operating in the horserace business, adopts the collective agreement for staff employed in horserace companies and complies with a specific agreement on staff employed in bets collections and various services provided on racetracks.

SNAI Rete Italia S.r.l. adopts the collective agreement of workers employed in the service sector and complies with additional protocol on staff employed in the betting agencies.

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

HEALTH AND SAFETY (ART. 2428 OF THE ITALIAN CIVIL CODE)

Compliance with Decree 81/08 and subsequent amendments

In the first six months of the year and following the initiatives implemented last year, Snaitech S.p.A. appointed the safety officers, the first aid and the fire officers.

Training has been providing on the following topics:

- Managers
- Information and training pursuant to Decree 81/08
- First aid
- Fire alarm
- Protection and prevention officers
- Electric shock risk
- Safety drive

for a total of 1,210 training hours per employee.

Following the revision of the Health and Safety Risk Appraisal Document (DVR), which identified those health risks related to be monitored, a new health protocol has been implemented.

Leading practitioner and related practitioners have also been appointed. Cogenia is furthermore working on its mandate to identify the Protection and prevention manager.

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

- Appointed person responsible for Health and Safety;
 - Information and training pursuant to Decree 81/08;
- for a total of 268 training hours per employee.

As regards Società Trenno S.r.l., a general and bespoke training to all workers is provided constantly. Furthermore, training courses have been provided on fire alarm, first aid, protection and prevention officers and information/training pursuant to Decree 81-08. In compliance with the agreement reached between local and central governments on bespoke training for the usage of specific equipment, training was provided on the use of excavators. The total of training hours per employee was 154.

As regards Teleippica S.r.l., the corporate structure for health and safety has been determined and the protection and prevention officers have been appointed. Training has been providing on the following topics:

- Managers
- Information and training pursuant to Decree 81/08
- Fire alarm

for a total of 103 training hours per employee.

Following the revision of the Health and Safety Risk Appraisal Document (DVR), which identified those health risks related to be monitored, a new health protocol has been implemented.

Leading practitioner and related practitioners have also been appointed. Cogenia is furthermore working on its mandate to identify the Protection and prevention manager.

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

J TRAINING OF EMPLOYEES PURSUANT TO DECREES 231 AND ARCADES REGULATIONS

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

In the first six months of the year, Snaitech S.p.A. has concluded its training process on the Corporate Organisational and Control Model pursuant to Decree 231/01 and on the anti-money laundering Decree 231/07.

The Decree 90/2017, implementing the EU directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, came into force. On this purpose, a round new of training on the latest updates has already been planned.

SNAI Rete Italia S.r.l. will also extend such training to all its point of sales personnel.

As regards Teleippica S.r.l., four training sessions have been planned for those employee not previously involved on in-class training on Corporate Organisational and Control Model pursuant to Decree 231/01 and on the anti-money laundering Decree 231/07.

Finally and in compliance with the anti-money laundering regulation, a permanent training program is currently being defined for those undertakings mainly affected by the regulation.

J.2 Training of owners and persons in charge of point of sales

In the first six months of the year, the agreement between the National Institute of Health and ADM has been carried on in relation to the launch of training courses, specifically related to gambling (legal and health aspects), for the relevant operators.

On this basis, Snaitech S.p.A. involved employees from different business and divisions including VTL, AWP, Online games and Institutional Relations, on the training titled "Gambling in Italy: training for operators". The total of training hours per employee was 112.

In the next six months of the year, it has been planned also the training for employees of the service division on gambling addiction.

SNAI Rete Italia S.r.l., pursuant to several regional regulations, is carrying on the training of owners and of persons in charge of point of sales.

K REGULATORY FRAMEWORK

K.1 Additional consolidation measures to the Budget law for 2017

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

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

- Art. 6 "Provisions on Gaming". Such article increases PREU (tax rate) up to 19% on AWP's and 6% on VLTs, increases the tax rate up to 8% on Lotto winnings and up to 12% on those winnings higher than Euro 500 achieved on totalizer number games (Superenalotto and related games) and instant lotteries. It is furthermore specified that, with regard to the extension of Bingo concession regulated by 2014 Stability Law, the prohibition to relocate point of sales during the entire extension period does not apply to those concessioners who do not have any longer the availability of their point of sales for specific reasons and subject to ADM assessment.
- Art. 6-bis "Reduction of AWP's". Such article schedules the timing of reduction by 30% of AWP's rights, which was introduced by the 2016 Stability Law. Specifically, within December 31, 2017 the number of rights must be lower than 345 thousands; within April 30, 2018 must be lower than 265 thousands. It is currently under publication the ministerial decree, which provides the implementing measures of such reductions. Concessioners, within December 31, 2017, should reduce, at least, by 15% the number of rights deployed as of December 31, 2016 (instead of July 31, 2015 as initially introduced in the 2016 Stability Law); the subsequent reduction down to 265 thousands within April 30, 2018 will be achieved proportionally to the residual number of rights for each concessioner as of December 31, 2016. Should the number of rights be higher than each threshold at any deadline of December 31, 2017 and April 30, 2018, ADM would provide to withdraw the excess proportionally and based on geographical distribution for each region and profitability of AWP's per region in the last twelve months. Finally, concessioners should switch off those AWP's associated with the rights withdrawn within five working days from the receipt of notification from ADM. Any breach of such obligation shall be punishable by a administrative fine of Euro 10,000 per single AWP.

Furthermore, art. 13-quarter rules the interruption of the production of 1 cent and 2 cents coins, starting from January 1, 2018, and allocate the related savings to the provision for depreciations of government bonds. On this basis, it is envisaged the rounding to the nearest 5 cents multiple during the interruption period for those single cash payment (paragraph 2). Based on paragraph 3, all public entities are allowed to apply such rounding.

K.2 Implementation of Anti-Money Laundering Directive

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

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

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

exceeding Euro 500 and any other ticket, independent from its notional amount, which embeds zero payout or a very low level.

ADM circular letter issued on June 30, 2017 provided initial guidelines on the new thresholds and the commencement from July 4, 2017 for concessioners to perform due diligence and reputational controls on providers and owners of point of sales. The technical adjustments needed to reflect the provisions on money laundering should be implemented by July 4, 2018.

K.3 Decree on technical standard for VLT machines

On April 4, 2017 ADM issued a decree to define new technical rules for VLTs.

The measure sets forth several guidelines to achieve technological innovation, which concessioners should adopt by April 1, 2019. Such measure includes directives on the information stored in the gaming system, control instruments, cross-ticketing functionalities or the adoption of ticketing linked to other network providers and the adoption of disclaimers and other useful information to prevent pathological gambling.

K.4 2017 Budget law (Also known as “Stability Law”)

The law n. 232 dated December 11, 2016 titled “*Budgetary Plan 2017 and three-year Budget Plan 2017-2019*” was published in the Official Journal on December 21, 2016 and came into force on January 1, 2017.

The only measures related to public gaming related refers to the Superenalotto tender and the launch of the experimental receipt lottery.

More specifically:

- Superenalotto tender: given the imminent expiry of the existing concessions, ADM launches a tender to “manage of national totalizer number games, complementary and optional games and any related online games including any further national totalizer number game”.

Provisions include also the basic conditions of the tender such as: a nine-year concession period, not renewable; a selection based on the most economically advantageous offer received and a minimum base price of Euro 100 million; the opportunity for the concessioner to extend its telecommunication network to complementary services other than gaming and subject to ATM authorization, based on the compatibility of such complementary services.

- Receipt lottery: from January 1, 2018 it will be possible to participate to a national lottery with prizes“. Individuals purchasing products or services from those shopkeepers who elected for digital transmission of revenues, must provide their social security number to the shopkeeper who, in turn, will pass them to the Inland revenue.

A decree from the Minister of Finance, in agreement with the Minister of Economic Development, will regulate “technicalities on drawing, number and amount of prizes available including any other provision needed to implement the lottery”. Starting from March 1, 2017 (postponed on November 1, 2017 by Decree-law Milleproroghe), the lottery will be experimentally implemented only to those products and services purchased with credit and debit card”.

K.5 “Milleproroghe” Decree

On February 23, 2017 the decree titled “*Milleproroghe*” was approved and converted into law.

Among other things, the law addresses the following relevant measures:

- The postponement to November 1, 2017 of the experimental receipt lottery, limited only to those products and services purchased with credit and debit card;
- The extension of additional 6 months of the Enabling act to the government to reform the horse race sector.

The measure was published in the Official Journal on February 28, 2017.

K.6 Attachment Decree on Agriculture – Enabling act to reform the horse race sector

The Attachment Decree on Agriculture approved by the Senate on July 6, 2016 was published on August 10, 2016 in the Official Journal n. 186.

The decree under article 15, titled “*Enabling act to the government to: reorganise entities, companies and agencies supervised by the Ministry of Agriculture; to reform the horse race sector; to reorganise the technical assistance provided to the breeders and the revision of the animal reproduction regulation*”, delegates the government to enact, by 12 months from the publication in the Official Journal, 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 funding and managing procedures concerning the development and promotion of the national horse race sector.

More specifically on the horse race sector, government should be mandated to re-arrange the funding and managing procedures on the development and promotion of the national horse race sector by reassessing the horse race betting activities and the identification of a single body in charge of arranging horse race events. The aim of the mandate is to rationalise the horse race sector without charging on public finance and progressively reducing the public resources transferred each year to the above-mentioned body. These results will be pursued by:

- Assigning resources needed to fund the horse race sector in line with the income coming from horse race betting;
- Restructuring of the horse race betting products, reviewing of tax rates and the subsequent expected increase of tax income due to a potential increase in the horse race betting;
- The progressive reduction of government grants arising from sources other than horse race betting, which will be replaced with private funding and activities performed by the new body.

Therefore, the sector is expected to undergo a reform to achieve self-sufficiency within five years with diminishing government grants, together with a revision and re-launch of the funding related to betting and other revenues and horse racing-related events.

The Milleproroghe decree, approved on February 23, 2017, has postponed by 6 months (until February 25, 2018) the deadline to implement the reform of the sector.

The Ministers involved in the reorganization are currently working to draft the relative procedures.

K.7 2016 Stability Law

As of today, some of the measures included in the 2016 Stability Law (Law n. 208 of December 28, 2015) have not yet been implemented. It is therefore important to highlight those measures with a potential impact on operation and profitability of the Company.

Measures on gaming machines

- Paragraph 943 delegated to a ministerial decree the definition of the evolution process for the AWP and established the changeover to AWP with remote control gaming systems (like VLTs). After December 31, 2017, authorisations can no longer be issued for the AWP machines, which should be discarded by December 31, 2019. As of today, it is not yet scheduled a specific date for the introduction of new AWP (since it has not yet been implemented the measure dealing with technical standard, timing and procedures of introduction). The proportional reduction of licences however has been introduced with the Additional Consolidation Measures to 2017 Stability Law and the relative decree providing the implementation measures (currently under publication).
- Paragraph 936 sets on April 30, 2016 the deadline for the Joint Congress to establish both the characteristics of the point of sales and their criteria for the geographical distribution. The agreements are acknowledged by means of decree of the Ministry of the Economy and Finance, having consulted the competent parliamentary Commissions. As of today, the deadline is not met yet and an agreement has not been reached, thus preventing any regulatory activities on the point of sales network reshaping and technological evolution. Moreover, some regions tightened their previous regulations (see Emilia Romagna region) and certain municipalities – including Rome – implemented stringent measures on the opening of new point of sales and redistribution of the exiting ones.

Measures on public gaming

- Paragraph 932 sets on May 1, 2016 the starting date for the procedure to award the nine-year concessions for Sports Betting and Horserace Betting (both expired on June 30, 2016) for a total amount of 15,000 rights, divided as follows:
 - 10,000 shops (base price: Euro 32,000);
 - 5,000 corners, of which 1,000 for those ones selling food and drinks (base price: Euro 18,000).

The publication of the tender was slowed down mainly by the failure to reach an agreement on Joint Congress pursuant to paragraph 936. As of today, timing of the tender remains unknown.

ADM, according to the law, allowed concessioners to extend their existing concessions with the aim to preserve wagers collection until the new concessions will be awarded. ADM, with a note R.U. 34580 dated March 28, 2017, requested concessioners to extend, within June 30, 2017, the outstanding guarantees by 12 months in order to cover any events until June 30, 2018 plus an additional year for any recovery activities (June 30, 2019). Snaitch S.p.A. provided the requested extension of guarantees with the terms and conditions set forth by ADM.

- Launch of a tender by July 31, 2016 for 120 concessions for Online games (Skill, Casino and Poker Games) for a total one-off cost of Euro 200,000. In practice, such tender replaces the concessions expired on June 30, 2016 to extend them until 2022 (when all concessions for Online games, including the Snaitech ones, expires). The tender would be launched by September 2017.

L BUSINESS OUTLOOK AND EVENTS AFTER THE REPORTING PERIOD

L.1 Business outlook and updates on Business Plans

In April 2017, the Board of directors of Snaitech has approved the Business Plan for the period 2017-2019, based on key business development initiatives and targets, in line with the Business Guidelines updated last September 2016, to reflect the bonds refinancing and the finalisation of the two mergers Snaitech-Cogemat group and Finscom-Snai Rete Italia S.r.l. ("SRI").

The strategic goal of the Group is centred on the consolidation of the leadership in the Retail Betting market segment and the increase of the Online market share. Following the merger with Cogemat, the Group may now rely both on an augmented products portfolio and the required skills to play as a leader in the Gaming Machine business too. Know-how, available resources and technological platform of the Group along with a strong management team should all help to achieve the Group strategic goal.

Primary goals are instead represented by the improvement of market performance and efficiency at operational and financial level, both achievable thanks to the joint skills and experience brought from Cogemat group and Snai group.

A summary of the key guidelines of the new Business Plan 2017-2019 include:

- Focus on developing the Online business through the introduction of new products, an improvement of services and the cross-selling activities performed on the retail channel;
- Renewal of betting licences for the retail network and the technological rejuvenation of the point of sales, through the introduction of new self-service betting terminals;
- Evolution and enlargement of the VLT platform currently offered to via Gaming Machine distribution network as well as a more focused selection of gaming contents and local partners for AWP; s;
- Outsourcing strategies of the point of sales owned by SRI;
- Finalization by the first half 2018 of the cost synergies plan enforced after the merger with Cogemat.

The Business plan forecast for the next three-year period an average growth of wagers above 4% and a cash-flow generation such that the leverage ratio (Net Financial Position/EBITDA) at the end of the period would be 2x. The Group is also confident to break-even on Net Profit in 2017.

Following the Business plan approval for period 2017-2019, the "Additional consolidation measures to the Budget law for 2017" introduced by the decree n. 50 dated April 24, 2017 and converted into law on June 21, set forth the increase of the PREU tax rate on AWP; s (from 17.5% to 19%) and VLTs (from 5.5% to 6%).

Based on the aforementioned PREU tax increase, Snaitech still confirmed to break-even on Net Profit in 2017 and to achieve an average growth of wagers above 4% over the three-year period forecasted in the Business Plan. On the leverage ratio instead, such tax increase on Gaming Machines, moves slightly upwards the initial target from 2x to 2.3x.

Law n. 96 of June 21, 2017 fully acknowledged the provisions of the decree dated April 24, 2017 and provides guidance on the reduction by 30% of the AWP; s, as envisaged by the 2016 Stability Law. In details, within December 31, 2017 the number of rights should be lower than 345 thousands; within April 30, 2018 the number of rights should be lower than 265 thousands.

On July 31, 2017 the Ministry of Finance issued the ministerial decree on the related AWP; s reduction and such decree is currently under publication in the Official Journal.

Notwithstanding the forthcoming publication and based on the prospected AWP; s cut, the Company forecasts a reduction of the average growth of wagers down to 3.1% and a possible further increase of the leverage ratio from 2.3x up to 2.4x. The AWP; s cut is not expected to affect the goal to break-even on Net Profit in 2017.

Results of the first six months of 2017 fully confirm the goal to achieve a net profit in the current fiscal year.

L.2 Events after the reporting period

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

M OTHER INFORMATION

M.1 Other information pursuant to article 2428 of the Italian civil code and article 40 of D.lgs. 127 (2428 of the Italian civil code)

The subsidiary SNAI Rete Italia S.r.l. owns 70,624 Snaitech shares for a nominal value of Euro 36,724.48. Neither Snaitech S.p.A. nor other undertakings of the Group have ever granted any loan or guarantees, either directly or indirectly, to purchase or trade shares of Snaitech S.p.A. or its parent company. Snaitech S.p.A. and the Group undertakings are not subject to particular risks related to the fluctuation of exchange rates.

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

M.2 Option to take advantage of national tax consolidation

In September 2015, the administrative bodies of Snaitech S.p.A. and Teleippica S.r.l. renewed their three-year option to benefit from the national tax consolidation, based on the articles of D.P.R. n. 917 of December 22, 1986, and subsequent amendments. At the same time, it was exercised the option to benefit from the tax consolidation between Snaitech S.p.A. and the subsidiary SNAI Rete Italia S.r.l. for the same period.

Società Trenno S.r.l., when filing tax return, renewed its commitment to tax consolidation for a further three-year period.

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

Fabio Schiavolin
(Chief Executive Officer)

Milan, August 4, 2017

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

Snaitech Group – Condensed Consolidated Statement of Comprehensive Income

<i>Figures in thousand/Euro</i>	Note	For the six months ended June 30, 2017	Of which Related Parties (note 34)	Of which non- recurring (note 36)	For the six months ended June 30, 2016	Of which Related Parties (note 34)	Of which non- recurring (note 36)
Revenues from sales and services	5	436,066	38		436,924	2	
Other revenues and income	6	1,617	4	867	5,493	2	3,112
Change in inventory of finished and semi-finished products		0			0		
Raw materials and consumables	7	(388)			(416)		
Cost of services and third party assets	8	(333,441)	(19)	636	(321,409)	(93)	(1,264)
Costs of personnel	9	(26,693)		(63)	(30,466)		(627)
Other operating costs	10	(25,260)	(6)	(1,386)	(26,884)	(6)	(2,580)
Capitalised costs	11	592			450		
Earnings before interest, tax, depreciation and amortisation		52,493			63,692		
Amortisation and depreciation	12	(24,900)			(27,241)		
Other expenses related to provisions	29	(644)		(455)	(150)		
Earnings before interest and taxes		26,949			36,301		
Gains and expenses from shareholdings		(541)			(5)		
Financial income		390			417		
Financial costs		(20,351)			(28,884)		
Total financial income and expenses	13	(20,502)			(28,472)		
PROFIT/(LOSS) BEFORE TAXES		6,447			7,829		
Income tax	14	(4,413)			(8,225)		
Profit/(Loss) for the period		2,034			(396)		
(Loss)/profit from re-measurement on defined benefit plans after taxes		185			0		
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		185			0		
Profit/(Loss) from available-for-sale financial assets		0			17		
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0			17		
Total profit/(loss) in comprehensive income statement, after taxes	25	185			17		
Comprehensive profit (loss) for the period		2,219			(379)		
<i>Attributable to:</i>							
Profit (loss) for the period pertaining to the Group		2,034			(396)		
Profit (loss) for the period pertaining to Third parties		0			0		
Total profit (loss) for the period pertaining to the Group		2,219			(379)		
Total profit (loss) for the period pertaining to Third Parties		0			0		
Basic earnings (loss) per share in Euro	26	0,01			0,00		
Diluted earnings (loss) per share in Euro	26	0,01			0,00		

Snaitech Group – Condensed Consolidated Statement of Comprehensive Income

<i>Figures in thousand/Euro</i>	Note	For the three months ended June 30, (*)	
		2017	2016
Revenues from sales and services	5	209,795	218,993
Other revenues and income	6	471	3,229
Change in inventory of finished and semi-finished products		0	0
Raw materials and consumables	7	(245)	(169)
Cost of services and third party assets	8	(159,607)	(166,776)
Costs of personnel	9	(12,831)	(15,600)
Other operating costs	10	(13,385)	(13,327)
Capitalised internal construction costs	11	257	225
Earnings before interest, tax, depreciation and amortisation		24,455	26,575
Amortisation and depreciation	12	(11,134)	(10,125)
Other expenses related to provisions	29	(595)	(150)
Earnings before interest and taxes		12,726	16,300
Gains and expenses from shareholdings		(541)	(5)
Financial income		234	185
Financial costs		(10,571)	(14,652)
Total financial income and expenses	13	(10,878)	(14,472)
PROFIT/(LOSS) BEFORE TAXES		1,848	1,828
Income tax	14	(2,048)	(3,832)
Profit/(Loss) for the period		(200)	(2,004)
(Loss)/profit from re-measurement on defined benefit plans after taxes		185	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		185	0
Profit/(Loss) from available-for-sale financial assets		0	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0	0
Total profit/(loss) in comprehensive income statement, after taxes	25	185	0
Comprehensive profit (loss) for the period		(15)	(2,004)
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		(200)	(2,004)
Profit (loss) for the period pertaining to Third parties		0	0
Total profit (loss) for the period pertaining to the Group		(15)	(2,004)
Total profit (loss) for the period pertaining to Third Parties		0	0
Basic earnings (loss) per share in Euro	26	0.00	(0.01)
Diluted earnings (loss) per share in Euro	26	0.00	(0.01)

(*) Unaudited

Related Parties transaction are disclosed on Note 34

Snaitech Group – Condensed Consolidated Statement of Financial Position

<i>Figures in thousand/Euro</i>	Note	As of June 30, 2017	Of which Related Parties (note 34)	As of December 31, 2016	Of which Related Parties (note 34)
ASSETS					
Non-current assets					
Property, plant and equipment		131,329		135,273	
Assets held under financial leases		326		420	
Total property, plant and equipment	15	131,655		135,693	
Goodwill		306,832		306,472	
Other intangible assets		130,040		140,920	
Total intangible assets	16	436,872		447,392	
Investments measured using the equity method		1,974		2,515	
Investments in other companies		46		46	
Total investments	17	2,020		2,561	
Deferred tax assets	18	47,354		51,288	
Non-current trade receivables	20	6,777		2,314	
Other non-financial assets	21	1,527		1,216	
Financial assets	22	2,198		2,009	
Total non-current assets		628,403		642,473	
Current assets					
Inventories	19	221		199	
Trade receivables	20	93,026	8	114,548	5
Other assets	21	37,428		53,326	170
Current financial assets	22	16,818		16,858	
Cash and cash equivalents	23	134,025		82,337	
Total current assets		281,518		267,268	
TOTAL ASSETS		909,921		909,741	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity attributable to equity holders of the Parent Company					
Share capital		97,982		97,982	
Reserves		20,713		37,482	
Loss for the period		2,034		(16,954)	
Total shareholders' equity attributable to equity holders of the Parent Company		120,729		118,510	
Shareholders' equity attributable to non-controlling interests					
Total shareholders' equity	24	120,729		118,510	
Non-current liabilities					
Employee termination indemnities	27	7,311		8,089	
Non-current financial liabilities	28	559,284		557,414	
Provisions for risks and charges	29	17,739		30,171	
Other non-current liabilities	30	5,693		4,291	
Total non-current liabilities		590,027		599,965	
Current liabilities					
Trade payables	31	36,465	365	34,330	322
Other liabilities	30	156,500	441	151,102	387
Current financial liabilities		5,725		5,834	
Current portion of long-term loans		475		0	
Total current financial liabilities	28	6,200		5,834	
Total current liabilities		199,165		191,266	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		909,921		909,741	

Snaitech Group – Condensed Consolidated Statement of Changes in shareholders' Equity
Figures in thousand/Euro

	Note	Share capital	Share premium account	Reserve for the remeasurement of employee termination indemnities (IAS 19)	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Shareholders' equity attributable to equity holders of the Parent Company	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as of January 1, 2016		97,982	102,627	(849)	(111)	(9,793)	(54,231)	135,625	0	135,625
Loss for the prior year			(45,677)	0	0	(8,554)	54,231	0		0
Profit/ for the period	24			0	0	17	(396)	(396)		(396)
Other comprehensive income/(loss)								17		17
Total comprehensive income/(loss) for the period		0	0	0	0	17	(396)	(379)	0	(379)
Balance as of June 30, 2016		97,982	56,950	(849)	(111)	(18,330)	(396)	135,246	0	135,246
	Note	Share capital	Share premium account	Reserve for the remeasurement of employee termination indemnities (IAS 19)	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Shareholders' equity attributable to equity holders of the Parent Company	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as of January 1, 2017		97,982	56,950	(1,027)	(111)	(18,330)	(16,954)	118,510	0	118,510
Loss for the prior year	24		0	0	0	(16,954)	16,954	0		0
Loss)for the period	25			185	0	0	2,034	2,034		2,034
Other comprehensive profit/(loss)								185		185
Total Profit/(Loss) for the period		0	0	185	0	0	2,034	2,219		2,219
Balance as of June 30, 2017		97,982	56,950	(842)	(111)	(35,284)	2,034	120,729	0	120,729

Snaitech Group – Condensed Consolidated Cash Flow Statement

<i>Figures in thousand/Euro</i>	Note	For the six months ended June 30, 2017	Of which Related Parties (note 34)	For the six months ended June 30, 2016	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		2,034		(396)	
Financial expenses	13	20,351		28,884	
Amortisation and depreciation	12	24,900		27,241	
Net change in deferred tax assets and liabilities	18	3,876		6,002	
Change in provision for risks and charges	29	(12,432)		(6,254)	
(Gains)/loss on disposal of non-current assets		(349)		142	
Share of profit/(losses) of associates measured using the equity method	13	541		5	
Net change in employee termination indemnities	27	(535)		35	
Net change in non-current assets and liabilities	20-21-30	(3,053)		(1,449)	
Net change in current trade assets and liabilities and other changes	19-20-21 31-30	45,495	264	13,557	37
Cash and cash equivalents generated by operations		80,828		67,767	
Taxes paid		(916)		(113)	
Interest paid		(17,807)		(26,028)	
CASH FLOW FROM OPERATING ACTIVITIES (A)		62,105		41,626	
B. CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment	15	(6,318)		(6,681)	
Investments in intangible assets	16	(3,755)		(6,425)	
Acquisition of business units	4	(240)		0	
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		353		234	
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(9,960)		(12,872)	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Change in financial receivables and other financial assets	22	(149)		3,124	
Change in financial liabilities	28	(1,719)		(681)	
Proceeds from bank loans	28	1,450		0	
Repayment of bank loans	28	(39)		0	
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		(457)		2,443	
D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)					
E. TOTAL CASH FLOW (A+B+C+D)					
		51,688		31,197	
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)					
		82,337		107,588	
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY					
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)					
	23	134,025		138,785	

1 RELEVANT ACCOUNTING STANDARDS

Basis of consolidation

Snaitech S.p.A. (hereinafter also referred to as the “Company” or “Snaitech”) has its registered office at Piazza della Repubblica, 32 - Milan, Italy.

Schedule 1 sets forth the composition of the Snaitech Group.

The condensed consolidated financial statements of the Snaitech Group as of and for the six months ended June 30, 2017 (the “**Condensed Consolidated Interim Financial Statements**”) incorporate the financial statements of the Snaitech S.p.A. and the following undertakings controlled by Company (its subsidiaries), consolidated on a line-by-line basis:

- Società Trenno S.r.l. Sole Shareholder;
- Teleippica S.r.l. Sole Shareholder;
- SNAI Rete Italia S.r.l. Sole Shareholder;
- IziLove Foundation.

The basis of consolidation remained unchanged with respect to December 31, 2016.

The basis of consolidation changed, with respect to June 30, 2016, in so far as:

- On October 18, 2016, it was executed the deed of merger by incorporation into Snaitech S.p.A. of the subsidiaries, directly or indirectly controlled, Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A.. The deed implemented the merger resolutions approved by each of above undertakings on June 9, 2016. The merger became effective on November 1, 2016, with retrospective accounting and tax effects being set on January 1, 2016. The merger has not entailed any share capital increases by Snaitech nor changes in the corporate bylaws. Such merger did not have any impact on the consolidated financial statements of Snaitech S.p.A. since the absorbed entities were already included in the consolidation;
- On October 24, 2016, it was executed the deed for the merger by incorporation into the subsidiary SNAI Rete Italia S.r.l. of the subsidiary Finscom S.r.l.. The deed became effective on November 1, 2016, with retrospective accounting and tax effects set on January 1, 2016. The merger did not have any effect on the consolidated financial statements of Snaitech S.p.A. since the absorbed entity was already included in the consolidation.

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

The Condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2017 were approved by the Board of directors of the parent Company on August 4, 2017 and then authorized for publication in accordance with law.

The Condensed Consolidated Interim Financial Statements as of and for the six months ended June 30, 2017 has been subject to limited audit by Independent Auditors while data on second quarter 2017 are unaudited.

Seasonality

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

1.1 Directors’ going concern assessments

The economical and financial health of the Snaitech Group has been historically affected by: (i) negative results, partially due to exogenous events and to a significant amount of depreciations and financial costs (ii) valuable intangible assets against a low equity amount affected by cumulated losses (iii) a significant indebtedness level and limited room to repay it further due to the cash-flow absorption from operating and financing activities.

Directors highlight that the achievement of Group's net profit of Euro 2 million (in the first six months of 2017) is in line with the forecast of the business plan and is due to several factors, briefly mentioned hereinafter, which contributed to structurally improve the business performance.

In relation to the integration with the Cogemat Group, directors notice the benefits rising from such transaction: (i) share capital increase by Euro 37.2 million and more generally an increase of the equity level by Euro 140 million; (ii) improvement of financial ratios; (iii) consolidation of the leadership in the Retail Sports Betting and Gaming Machines market segments; (iv) rationalization of the corporate structure and the improvement of operational effectiveness; (v) synergies plan to reduce operating, corporate and concession expenses.

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

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

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders.

Furthermore, with reference to the betting tender, it is important to highlight that, according to the public data available from the market, the number of rights to be allotted with the tender is higher than the point of sales currently operating across the entire country: the distribution network, as per the latest ADM revelation on June 2017, has 4,120 corners and 5,639 shops (including 2,521 CTD "grey" operators now fully licensed) against respectively 5,000 and 10,000 rights available with the tender. In addition to the point of sales licensed by ADM, it must also be taken into account those agencies acting as data centre for transmission only (CTD), which collect bets on behalf of foreign bookmakers without any licence. These operators account for approximately 4,800 units, with more than 2,500 now fully authorised by ADM as of June 30, 2017. Even in the possible scenario where all the CTD are authorised and join the tender, the number of rights offered is likely to be higher than the potential demand. Even in such unlikely scenario, given the current level of requests to regularize, the possible amount to pay for the renewal should not negatively affect the sustainability of Group indebtedness.

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

Given the refinancing transaction executed, the financial results achieved and the aforementioned considerations as well as the Business Plan indications for 2017-2019, directors do not foresee any uncertainty on going concern, notwithstanding the uncertainty related to future events and specific features of the industry.

1.2 Accounting standards

General principles

The Condensed Consolidated Interim Financial Statements as of June 30, 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements do not disclose all information required for the annual consolidated financial statements. For this reason the Condensed Consolidated Interim Financial Statements should be read together with the consolidated financial statements as of December 31, 2016.

The drafting, measurement and consolidation criteria, as well as the accounting standards used in the preparation of these condensed and interim consolidated financial statements are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2016, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, as described

below. The adoption of these amendments and interpretations had no significant impact upon the Group's financial position and economic performance.

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

The Condensed Consolidated Interim Financial Statements of the Snaitech Group as of June 30, 2017, are presented in thousands of Euro, except where otherwise indicated.

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

New and revised standards and interpretations effective for accounting periods commencing on January 1, 2017

There are no standards and interpretations transposed by the EU and effective as of January 1, 2017.

New and revised standards and interpretations effective for accounting periods commencing after January 1, 2017

New standards and interpretations transposed by the EU

- ***IFRS 15 "Revenue from Contracts with Customers"***

In May 2014, IASB issued the IFRS 15 "Revenues from agreements with the customers" (hereinafter IFRS 15). This standard intends to improve disclosures on revenues and their comparability among the different financial statements. In particular, IFRS 15 provides that the recognition of revenues should be based on the following five steps:

- 1) Identification of the agreement with the customer;
- 2) Identification of the contractual obligations of transferring goods and/or services to a customer ("performance obligation");
- 3) Determination of the transaction price;
- 4) Allocation of the transaction price to the performance obligations identified on the basis of the stand alone sales price of each good or service; and
- 5) Identification of the revenue when the related performance obligation is met.

Furthermore, IFRS 15 supplements the information provided in the financial statements with reference to the nature, amount, timing and uncertainties of the revenue and related cash flows.

On September 22, 2016, the EU regulation no. 2016/1905 was issued to endorse, at the EU level, the IFRS 15 and subsequent amendments. The new standard is effective for accounting periods commencing on or after January 1, 2018 and is applicable retrospectively. Early application is permitted. Any effect of the new standard on the financial statements is currently being evaluated.

- ***IFRS 9 "Financial Instruments"***

On July 24, 2014, IASB finalised the revision of this accounting standard regarding financial instruments and issued the complete version of IFRS 9 "Financial instruments" (hereinafter, "IFRS 9"). More specifically, the new IFRS 9 covers:

- Classification and measurement of financial assets;
- Impairment of financial assets, which takes into account the expected credit losses; and
- Hedge accounting.

The IFRS 9, adopted by the European Union with Regulation no. 2016/2067 of November 22, 2016, shall be effective for accounting periods commencing on or after January 1, 2018.

Any impact on the financial statements deriving from the new standard is currently being evaluated.

New standards and interpretations yet to be transposed by the EU

- Amendments to IAS 12 (Income taxes) – Recognition of deferred tax assets on unrealised losses.
- Amendments to IAS 7 (Statement of cash flows) – Disclosure Initiative.
- 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.
- Clarifications to IFRS 15 (Revenue from Contracts with Customers).
- Amendments to IFRS 2 (Classification and measurement of share-based payments)
- Improvement to IFRS (cycle 2014- 2016) – Amendments to IFRS 12 and IAS 28
- IFRIC 22 (Foreign Currency Transactions and Advance Consideration)
- Amendments to IAS 40 (Investment properties).
- IFRS 16 "Leases": in January 2016, IASB published IFRS 16 "Leases" (hereinafter "IFRS 16"). This new standard replaced IAS 17 "Leasing" and related interpretations. IFRS 16 removes the distinction between operating and financial leasing in the preparation of the financial statements of the lessees; for all leasing agreements the identification of an asset is required as representative of the right of use, and

the recognition of a liability as representative of the obligation to make the payments as set forth in the agreement. The leasing agreements of a duration equal to or less than 12 months and the leasing of goods with a low value, may be excluded from IFRS 16. The new standard is effective as of January 1, 2019. Early adoption is permitted, but only if IFRS 15 is also adopted.

- IFRIC 23 (Uncertainty over in income tax treatments).

Any impact on the consolidated financial statements arising from the new standards is currently being evaluated.

The format of the financial statements adopted by the Snaitech Group for the period ended June 30, 2017 did not change with respect to those adopted as of December 31, 2016 with the exception of the item "Non-current trade receivables" included in the Condensed Consolidated Statement of Financial Position. Therefore, the item has been reclassified with respect December 31, 2016 for an amount of Euro 2,314 thousand related to receivables from clients for Euro 1,400 thousand and bills receivables for Euro 914 thousand.

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

Format of the financial statements

The format adopted by the Group is the following:

- Condensed Consolidated Statement of Financial Position
The statement of financial position is based on the distinction between current and non-current assets and current and non-current liabilities.
- Condensed Consolidated Statement of Comprehensive Income
The condensed consolidated statement of comprehensive income presents different types of items, as this is considered the most detailed statement. Furthermore, in accordance with Consob resolution n. 15519 dated July 27, 2016 on Comprehensive Consolidated Income Statement, non-current incomes and costs have been presented separately. Additionally and in accordance with the above-mentioned Consob resolution, financial statements present separately any amount arising from transactions with related parties.
- Condensed Consolidated Statement of Changes in Shareholders' Equity
The Statement of changes in shareholders' equity shows the net results for the period and the effects of changes, on each item, to accounting standards as well as amendments as required by IAS 8. In addition, it shows the balance of retained earnings and losses at the beginning of the period, the movements during the period and at the end of the period.
- Condensed Consolidated Cash Flow Statement
The cash flow statement presents the cash flows of the period resulting from operating, investing and financing activities. The cash flows from operating activities of the period are presented using the indirect method, whereby the net result for the year, or the period, is adjusted for the effects of operations of non-monetary nature, for any deferral of accrual of previous or future operating cash collections or payments, and for elements of revenues, or costs, related to cash flows deriving from investing or financing activities.

Furthermore, to allow a better comparison of data and differently from figures presented in the interim results as of June 30, 2016, an amount of Euro 2,617 thousand was reclassified from "Financial costs" to "Costs for services and use of third party assets", of which Euro 754 thousand for bank charges and Euro 1,917 thousand for fees on bank guarantees.

2 CONCESSION AGREEMENTS

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

Snaitech Group owns the following concessions:

Owner	Quantity	Subject	Maturity
Snaitech S.p.A.	1 Concession	Implementation and management of gaming machines network (in accordance with Art. 110 (6) of TULPS as per RD no. 773 of June 18, 1931 and following amendments and supplements) as well as any related activities	March 2022
Snaitech S.p.A.	1 Concession Code 4311	Horserace gambling collected through distribution network (shops and corners)	June 2016
Snaitech S.p.A.	1 Concession Code 4028	Gambling on public gaming other than horse races collected through distribution networks (shops and corners)	June 2016
Snaitech S.p.A.	1 Concession Code 4801	Horserace gambling collected through distribution network (shops and corners)	June 2016
Snaitech S.p.A.	1 Concession Code 15215	Online gambling on the following games: a) Sports Betting; b) Horserace Betting; c) Horserace and Sports betting pools; d) National horserace totalisator game; e) Skill games, including tournament-type games; f) Bingo.	Sept. 2020
Snaitech S.p.A.	1 Concession Code 4501	Gambling on horseraces and sports events as per Art. 10, par. 9-octies, of the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012.	June 2016

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

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

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

Since the tender to renew the betting concessions was not called, ADM (with the aim to preserve business continuity in the higher interest of public order, taxation and occupation) allowed concessioners to continue their Betting business until the launch of the new tender, as long as they provided formal commitment to bid along with the relevant guarantees (or by extending the existing ones), which cover any existing or future obligations arising until June 30, 2017 plus an extra year (up to June 30, 2018).

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

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

3 OPERATING SEGMENTS

Reporting is presented by “operating segment”. The definition of the sectors is based on the Group organisational structure and the internal reporting system. Intra-segment transfers are carried at market conditions. Before describing the reporting by operating segment, it should be noted that, following the merger with the Cogemat Group, on December 31, 2016, a re-profiling of the segments was carried out to align it with the organisational structure of the Group and to the communication usually held with all the main stakeholders concerning business results.

In light of the organizational structure, it is presented hereinafter a representation of the operating segments where the Group operates:

- Gaming Machines;
- Retail Betting;
- Online;
- Horse racing track management;
- Other.

More specifically, the operating segments of the Group are defined as follows:

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

The total value of assets and liabilities for each segment is not subject to disclosure since these figures are not periodically reviewed by the CODM (Chief Operating Decision Maker).

The following table present for each segment its contribution to the consolidated figures.

The Contribution Margin by segment includes items directly accounted as well as items accounted through allocation process. More specifically, segments results include appropriate revenue, related distribution costs (including any payment to the providers of gaming platforms) and the concession fees.

Retail Betting and Online segments include all bets, both fixed-odd (where the concessioner is the bookmaker) and totalisator bets (where the totalizer is the Ministry of Finance), accepted in the PoS (Point of Sales) and on the web site www.snaitech.it, run under concession by Snaitech.

Risk related to fixed-odd bets is borne by the concessioner, since the latter pays winnings and taxes, while in the case of totalisator bets, there is no payout risk for the concessioner, since winnings are set as a percentage of the wagers.

First half of 2017

Figures is thousand/Euro	Gaming Machines		Betting Retail		Online		Horse racing track management		Other		ICE (Intercompany Elimination)		Consolidated	
	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016
Total wagers														
Total revenues (A)	320,419	312,967	79,479	95,710	28,960	25,617	4,549	5,101	10,978	12,955	(6,702)	(9,933)	437,683	442,417
Costs (B)	(261,234)	(245,506)	(48,228)	(52,497)	(8,224)	(6,367)	(42)	(51)	(954)	(1,399)	4,582	6,380	(314,100)	(299,440)
Contribution margin (C) = (A+ B)	59,185	67,461	31,251	43,213	20,736	19,250	4,507	5,050	10,024	11,556	(2,120)	(3,553)	123,583	142,977
Other costs (D)											2,138	3,571	(71,090)	(79,285)
Earning before interest income and costs, taxes, depreciation and amortization (E) = (C+ D)											18	18	52,493	63,692
Amortization													(24,900)	(27,241)
Other depreciation													(644)	(150)
Financial income/costs													(20,502)	(28,472)
Tax													(4,413)	(8,225)
Profit/loss for the period													2,034	(396)

Second quarter of 2017 (*)

Figures in thousand/Euro	Gaming Machines		Betting Retail		Online		Horse racing track management		Other		ICE (Intercompany Elimination)		Consolidated	
	2Q 2017	2Q 2016	2Q 2017	2Q 2016	2Q 2017	2Q 2016	2Q 2017	2Q 2016	2Q 2017	2Q 2016	2Q 2017	2Q 2016	2Q 2017	2Q 2016
Total wagers														
Total revenues (A)	150,500	162,687	40,484	43,142	14,361	11,837	2,561	3,047	5,347	6,687	(2,987)	(5,178)	210,266	222,222
Costs (B)	(122,531)	(129,467)	(23,410)	(25,007)	(3,998)	(2,972)	(29)	(36)	(446)	(706)	1,910	3,185	(148,504)	(155,003)
Contribution margin (C) = (A+ B)	27,969	33,220	17,074	18,135	10,363	8,865	2,532	3,011	4,901	5,981	(1,077)	(1,993)	61,762	67,219
Other costs (D)											1,086	2,003	(37,307)	(40,644)
Earning before interest income and costs, taxes, depreciation and amortization (E) = (C + D)											9	10	24,455	26,575
Amortization													(11,134)	(10,125)
Other depreciation													(595)	(150)
Financial income/costs													(10,878)	(14,472)
Tax													(2,048)	(3,832)
Profit/loss for the period													(200)	(2,004)

In the first six months of 2017, the following should be noted:

- Contribution Margin of the Gaming Machines segment, despite the increase in revenues due to the lower payout of the AWP compared with last year, is impacted by the wagers decrease, the PREU tax rate increase and the increase of distribution costs, as well as the reduction of the concessioner marginality on VLTs;
- Betting Retail segment recorded a substantial decrease in margins, especially given the generalised payout increase on sports bets in addition to lower wagers from Virtual Events;
- Contribution Margin of the Online segment benefited from wagers increase from all games, slightly offset on the downside by the payout increase on sports bets;
- Significant benefits from synergies obtained following the merger by incorporation of Cogemat Group subsidiaries into Snaitech;
- The reduction of Earning before taxes, other financial income and expenses, amortisations and depreciations, was mitigated by a significant reduction in amortisations/depreciations and financial charges, the latter following new bonds issued in November 2016 with rates significantly lower than those of the first half of 2016.

4 BUSINESS COMBINATION

On May 30, 2017 Snaitech S.p.A. acquired from Effebi S.r.l. the business unit devoted to (i) provide gaming machines and other entertainment equipment to point of sales and (ii) money collection from cash boxes of gaming machines allowed by art. 110, par. 6/a of T.U.L.P.S. (hereinafter "Business Unit").

Assets and liabilities purchased with the Business Unit are limited to: (a) capital goods, furnishing, machineries and equipment; (b) outstanding agreements with point of sales.

The table below shows the fair value of assets purchased with the Business Units and the relevant goodwill determined as difference between purchase price and fair value.

Assets Fair value (AWP, motherboard and money changing machines)	440,000
Purchase price	800,000
Goodwill	360,000

NOTES ON MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Figures are presented in thousands of Euro, except where otherwise indicated, and are compared to June 30, 2016 figures.

5 REVENUES FROM SALES AND SERVICES

The amount of revenues from sales of goods and services in the first six months of 2017 is equal to Euro 436,066 thousand (Euro 436,924 thousand in the first half of 2016) and is detailed below:

Second quarter of (*)			Figures in thousand/Euro	First half of		
2017	2016	Change		2017	2016	Change
149,838	159,636	(9,798)	Revenues from Gaming Machines	318,619	307,304	11,315
33,637	29,883	3,754	Net revenues from fixed-odds Sports and Horserace betting	62,260	68,604	(6,344)
8,347	9,962	(1,615)	Revenues from Virtual Events	18,057	20,935	(2,878)
6,066	5,272	794	Net revenues from Online games (Skill, Casino and Bingo)	13,022	11,349	1,673
3,694	4,700	(1,006)	Revenues from Horserace totalisator, national forecast bets	7,862	9,908	(2,046)
880	1,134	(254)	Revenues from services provided on bets collection	1,878	2,420	(542)
689	724	(35)	Revenues from services provided on Virtual Events	1,494	1,495	(1)
474	993	(519)	Commissions income	958	1,771	(813)
890	1,025	(135)	Revenues from servicing and assistance agreements	1,799	2,096	(297)
1,281	1,585	(304)	Revenues from the operation of betting services at racecourses	2,378	2,644	(266)
357	342	15	Management of racecourse and real estate properties	665	630	35
2,595	2,630	(35)	Revenues from television services and related services	5,011	5,037	(26)
1,047	1,107	(60)	Other sales and services provided to third parties	2,063	2,731	(668)
209,795	218,993	(9,198)	Total	436,066	436,924	(858)

(*) Unaudited

Revenues from Gaming Machines in the first six months of 2017 totalled Euro 318,619 thousand: the increase, compared to the first half of 2016, is mainly due to a payout reduction of AWP's, following the replacement of motherboards with payout at 74% (with those at 70%).

Revenues from Gaming Machines include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms. Such costs are shown on item "Costs for services and use of third party assets" in Note 8. Concessioners are required to pay a security deposit to ADM (pursuant to the Decree n. 95 of July 6, 2012, the Customs Agency merged with AAMS thus becoming ADM from December 1, 2012) equal to 0.50% of the wagers played on each gaming machine with the aim to grant a pre-established service levels.

The Statement of Financial Position include such credit in the item "Security deposit related to Gaming Machines" by an amount equal to Euro 17,887 thousand paid in the first half of 2017 (see Note 21). The Security deposit is refunded to the concessioners each year once it has been verified the achievement of the pre-established service levels.

The item "Net revenue from Sports and Horserace betting" is equal to Euro 62,260 thousand and the following table shows a breakdown by winnings, reimbursements and taxation.

Second quarter of (*)		Figures in thousand/Euro	First half of	
2017	2016		2017	2016
278,729	248,267	Sports Betting	570,599	507,483
(321)	(91)	Reimbursements	(574)	(239)
(237,362)	(212,153)	Winnings	(494,150)	(424,106)
(8,018)	(6,959)	Flat-rate tax	(14,967)	(15,970)
33,028	29,064	Net revenues from Sports Betting	60,908	67,168
13,957	10,953	Horse racing Betting	24,517	20,640
(70)	(76)	Reimbursements	(143)	(149)
(11,560)	(8,687)	Winnings	(19,994)	(16,467)
(565)	(451)	Flat-rate tax	(996)	(851)
(1,153)	(920)	Taxation	(2,032)	(1,737)
609	819	Net revenues from Horse racing Betting	1,352	1,436
33,637	29,883	Total Net Revenues from Sports and Horse racing Betting	62,260	68,604

(*) Unaudited

Net revenues from Sports betting decreased compared to the first half of previous year due to the higher payout. In the first six months of 2017, the payout on Sports betting, including bonuses, settled approximately at 86.7% compared to 83.6% of the first half of the previous year.

Revenues from Virtual Events are equal to Euro 18,057 thousand in the first half of 2017 and are broken down as follows:

Second quarter of (*)		Figures in thousand/Euro	First half of	
2017	2016		2017	2016
63,540	78,075	Virtual Events	138,659	162,217
(53,068)	(65,564)	Winnings and reimbursements	(115,985)	(135,939)
(2,125)	(2,550)	Flat-rate tax	(4,617)	(5,344)
8,347	9,962	Total net revenues from Virtual Events	18,057	20,935

(*) Unaudited

The reduction of revenues from Virtual Events is due to lower wagers, partially offset only by a reduction of winnings.

Revenues from Online are equal to Euro 13,022 thousand in the first six months of 2017 and are broken down as follows:

Second quarter of (*)		Figures in thousand/Euro	First half of	
2017	2016		2017	2016
267,523	210,304	Online Skill and Casino Games	552,429	443,225
(259,581)	(203,524)	Winnings	(535,542)	(428,594)
(1,876)	(1,508)	Flat-rate tax	(3,865)	(3,282)
6,066	5,272	Net revenues from Online Games	13,022	11,349

(*) Unaudited

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

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

In addition, the item "Other services and sales provided to third parties" mainly includes net revenue for mobiles top-ups of Euro 753 thousand and revenues related to payment services of Euro 103 thousand.

6 OTHER REVENUES AND INCOME

"Other Revenues and Income" item totalled Euro 1,617 thousand in the first six months of 2017 (versus Euro 5,493 thousand in the first half of 2016). The table below shows a breakdown of the item:

Second quarter of (*)			Figures in thousand/Euro	First half of		
2017	2016	Change		2017	2016	Change
33	35	(2)	Rental income and chargeback of ancillary expense	67	71	(4)
62	2,489	(2,427)	Income from lawsuit	389	4,229	(3,840)
11	15	(4)	Compensatory damages	30	90	(60)
14	14	0	Grants from UNIRE investments fund	27	27	0
87	3	84	Gain on disposal of assets	573	11	562
25	47	(22)	Revenues from arrangement and sales of technology	26	98	(72)
239	626	(387)	Other revenues and income	505	967	(462)
471	3,229	(2,758)	Total	1,617	5,493	(3,876)

(*) Unaudited

The reduction of Euro 3,876 thousand is mainly due to the significant reduction of Income from lawsuit.

7 RAW MATERIALS AND CONSUMABLES

The cost of raw materials and consumables were Euro 388 thousand in the first six months of 2017 (versus Euro 416 thousand in the first half of 2016) and mainly composed of materials used to collected wagers, technological support and furnishing installed in the new point of sales.

8 COST OF SERVICES AND THIRD PARTY ASSETS

Cost of services and third party services amounted to a total of Euro 333,441 thousand in the first six months of 2017 (Euro 321,409 thousand in the first half of 2016), as broken down below:

Second quarter of (*)			Figures in thousand/Euro	First half of		
2017	2016	Change		2017	2016	Change
116,885	123,491	(6,606)	Services related to Gaming Machines	249,553	233,122	16,431
16,860	17,003	(143)	Bets acceptance	34,167	36,087	(1,920)
3,672	3,763	(91)	Costs associated with Virtual Events	7,889	8,285	(396)
1,589	1,405	184	Online Games management (Skill, Casino and Bingo)	2,260	2,943	(683)
2,124	1,765	359	Services related to Online Games	4,272	3,357	915
287	356	(69)	Paymat services	612	724	(112)
364	395	(31)	Horse Racing track management	585	605	(20)
2,041	2,033	8	Television and radio services	4,085	3,847	238
88	93	(5)	Rent of stations	175	187	(12)
1,909	2,535	(626)	Advisory costs and reimbursements	3,024	3,853	(829)
2,210	2,510	(300)	Utilities and telephone bills	3,940	5,017	(1,077)
2,424	2,419	5	Equipment repair and maintenance	4,614	4,713	(99)
2,103	1,685	418	Advertising and promotion	4,569	3,751	818
536	477	59	Installations, logistics and design	1,025	951	74
44	44	0	Partnerships, collaboration and others	87	91	(4)
539	347	192	IT services	1,052	549	503
1,461	1,541	(80)	Insurance and guarantees	2,860	3,061	(201)
517	322	195	Banking costs	1,068	754	314
20	65	(45)	Market research	50	86	(36)
869	327	542	Information to produce odds posters	1,443	691	752
1,060	1,417	(357)	Rental fees and ancillary charges	2,175	2,805	(630)
657	674	(17)	Operating leases and other leasing	1,262	1,352	(90)
255	220	35	Compensation of directors	527	856	(329)
44	101	(57)	Compensation of statutory auditors	93	207	(114)
42	62	(20)	Fee for Regulator and other committees	88	123	(35)
1,007	1,726	(719)	Others	1,966	3,392	(1,426)
159,607	166,776	(7,169)	Total	333,441	321,409	12,032

(*) Unaudited

In particular, the table shows:

- Costs of services related to Gaming Machines (totalling Euro 249,553 thousand compared to Euro 233,122 thousand in the first half of 2016) include the remuneration to third parties in charge of the bets collection and the costs of VLT platforms. The increase of Euro 16,431 thousand is mainly due to the reduction of the AWP payout level and the subsequent allocation of a higher net cash box to the different stakeholders of the Gaming Machines value-chain;
- Costs related to sports and horserace bets acceptance from point of sales amounted to Euro 34,167 thousand in the first six months of 2017 (versus Euro 36,087 thousand in the first half of 2016);
- Costs associated with Virtual Events management totalled Euro 7,889 thousand (compared to Euro 8,285 thousand in the first half of 2016) and included costs of the operator and the platform.

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

9 COSTS OF PERSONNEL

Costs of personnel, in the first six months of 2017, totalled approximately to Euro 26,693 thousand compared with Euro 30,466 thousand in the first quarter of 2016, with a decrease of Euro 3,773 thousand due primarily to (i) the sale of business units, in the context of the outsourcing of point of sales directly owned by SNAI Rete Italia S.r.l., and (ii) benefits arising from the reduction of operating costs following the merger with the Cogemat Group (now Snaitech).

Second quarter of (*)			Figures in thousand/Euro	First half of		
2017	2016	Change		2017	2016	Change
8,968	10,557	(1,589)	Wages and salaries	18,686	21,110	(2,424)
2,724	3,134	(410)	Social security costs	5,665	6,177	(512)
584	724	(140)	Cost related to Defined benefit/Defined contribution schemes	1,155	1,451	(296)
65	23	42	Personnel training costs	101	68	33
224	243	(19)	Expense reimbursement to employees	420	465	(45)
231	251	(20)	Meal allowances	461	493	(32)
(66)	0	(66)	Share-based remuneration (IFRS 2 charges)	68	0	68
101	668	(567)	Others	137	702	(565)
12,831	15,600	(2,769)	Total	26,693	30,466	(3,773)

(*) Unaudited

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

The table below shows a breakdown by employees grading as of June 30, 2017. The reduction by 102 employees from year-end 2016 was mainly due to the outsourcing of the point of sales directly owned by SNAI Rete Italia S.r.l. along with the downsizing of Snaitech corporate structure and the suspension of employee turnover.

As of June 30, 2016		As of December 31, 2016	Increases for the period	Decreases for the period	As of June 30, 2017	Average number in period
31	Executives	28	1	1	28	29
1,220	Employees and middle managers	1,049	39	138	950	978
61	Workers	54	0	3	51	51
1,312*	Total employees	1,131**	40	142	1,029***	1,057

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

(**) 258 part-time and 19 on maternity leave

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

Increases and decreases include also job positions upgrades.

9.1 Incentive schemes

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

The incentive plan proposals (phantom stock option) envisage, in favour of the Chief Executive Officer, General Manager and certain executives with key responsibilities of the Company and subsidiaries, a cash bonus equal to a given percentage of the company value (up to 4% for both plans).

Furthermore, the incentive plan for certain executives with key responsibilities ("Phantom Stock Option 2017-2019") subordinates the potential benefits to the achievement of specific performance targets.

Both incentive plans for the Chief Executive Officer and certain executives are however subordinated to a "change of control" event following the sale of the Company at a share price substantially higher than current Snaitech share price.

Therefore, the incentive plan for the Chief Executive Officer and each selected executive is mainly related to the achievement of the Company targets, as it is strictly connected to increase the company value in the context of change of control transaction, with the aim to align shareholders interest with transaction beneficiaries.

The incentive plan for the Chief Executive Officer and General Manager is effective from March 13, 2017. With reference to the incentive plan for certain executives, in order to grant an increased level of retention, the payment of the incentive should occur after 12 months from the change of control date as long as the managers are still employed with the Company. As of June 30, 2017, the incentives have not yet been assigned to any executive.

Incentive scheme for the Managing Director and General Manager

The scheme provides for the attribution to the Managing Director and General Manager of a cash bonus equal to a given percentage of the Company value, measured on the basis of the share price at the time of the change in control of the Company, according to different and growing threshold levels based on change of control date.

In particular, the incentive is functional to the date when the change of control happen and on the value of the share according to the following table:

Incentive Scheme	Date of change of control			Incentive amount (in % based on the Snaitech value)
	By March 31, 2018	By March 31, 2019	Beyond March 31, 2019	
Share price	≤ Euro 2.10	≤ Euro 2.31	≤ Euro 2.43	0.0%
	= Euro 2.25	= Euro 2.48	= Euro 2.60	0.5%
	= Euro 2.40	= Euro 2.64	= Euro 2.77	1.0%
	= Euro 2.55	= Euro 2.81	= Euro 2.95	1.5%
	> Euro 2.70	> Euro 2.97	> Euro 3.12	2.0%

The plan has been accounted according to IFRS 2 (Share-based payments).

As per IFRS 2, such plans are part of the remuneration of the relevant beneficiary. The cost of such schemes is represented by the fair value and is accounted on the Condensed Consolidated Statement of Comprehensive Income below the item "Cost of personnel" in the period between the assignment and vesting. The debit entry is recorded at fair value and is assessed at the end of each accounting period.

In particular, the scheme has been assessed cash-settled.

Measurement model

The measurement of the total fair value of the scheme was carried out based on the financial market conditions at the measurement time. The estimate was carried out using the stochastic simulation with the Monte Carlo Method which, based on specific assumptions, allowed to generate of a significant number of alternative scenarios within the time interval taken into consideration. The simulation was carried out based on assumptions on annual average growth rate of the share (+1%), volatility of the share (45%), the discount rate (1%), the dividend yield (0%) and the probability of renewal of the mandate granted to the beneficiary (50% after the approval of Annual Report of 2018).

As regards the materialisation of the change of control event, the assumption adopted different levels of probability according to the share value: 0% if the share price is equal or below Euro 2.10, 50% if it is between Euro 2.10 and 2.70 and 100% if above Euro 2.70.

The Fair Value of the benefits assigned and subject to measurement, based on the assumption to achieve a change of control, amounted to Euro 1,196 thousand, of which Euro 68 thousand accounted in the Income Statement of the first half of 2017.

10 OTHER OPERATING COSTS

Other operating costs totalled Euro 25,260 thousand in the first six months of 2017 (versus Euro 26,884 thousand in the first half of 2016).

Second quarter of (*)			Figures in thousand/Euro	First half of		
2017	2016	Change		2017	2016	Change
7,258	7,341	(83)	Concessions and licenses fees	14,652	15,128	(476)
1,308	0	1,308	Additional charged to related AAMS agreements	1,389	0	1,389
30	78	(48)	Administration sanctions	62	84	(22)
1,104	1,200	(96)	Non deductible VAT	2,508	2,138	370
1,383	945	438	Expenses related to bad or doubtful credits	2,784	2,749	35
774	354	420	Losses on credits	865	812	53
184	781	(597)	Expenses related to risks and charges	436	983	(547)
19	41	(22)	Entertainment expenses	68	72	(4)
24	107	(83)	Membership fees	68	188	(120)
179	258	(79)	Other taxes	470	438	32
225	265	(40)	IMU (real estate tax)	490	530	(40)
161	252	(91)	Stationery, consumables and promotional materials	335	313	22
55	61	(6)	Costs of Environmental and health controls	89	89	0
57	777	(720)	Losses from lawsuit	249	2,118	(1,869)
186	93	93	Losses on disposal of assets	224	153	71
438	774	(336)	Other administrative and operating costs	571	1,089	(518)
13,385	13,327	58	Total	25,260	26,884	(1,624)

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

- Concession fee for gaming machines for a total amount of Euro 10,735 thousand determined as 0.30% of wagers and paid to ADM on a bimonthly basis;
- Concession fees related to rights awarded through the 2006 tender (Bersani rights), 2008 tender (Giorgetti rights) and 2012 tender (Monti rights) and al equal to an overall amount of Euro 3,096 thousand;
- Concession fee related to the Online segment for a total amount of Euro 450 thousand;
- Television licence fees for a total of Euro 121 thousand.

“Additional charges related to AAMS agreements” includes Euro 1,138 thousand claimed by ADM on expired VLT tickets for the period between October 2010 and March 19, 2013.

In the first half of 2017, expenses related to bad or doubtful debts were set at Euro 2,784 thousand in order to realign their measurement with their recovery value. Such receivables arose in prior fiscal years in relation to the Group’s core business and experienced difficulties with regard to their collection.

In the first half of 2017, expenses related to risks were set at Euro 436 thousand to reflect several technological upgrades as allowed by the concession agreement for Gaming Machines pursuant to art. 110, par. 6, of the T.U.L.P.S. and the R.D. n. 773 of June 18, 1931 and subsequent amendments.

The item “Non-deductible VAT” equals to Euro 2,508 thousand and arises mainly from different types of transactions executed by Snaitech S.p.A. and by Società Trenno S.r.l.. Such transactions originate VAT taxable and non-taxable revenues with subsequent impact on non-deductible VAT payable on purchases.

11 CAPITALISED COSTS

In the first six months of 2017, capital costs were Euro 592 thousand compared to Euro 450 thousand for the first half of 2016. These costs related to projects development (in-house software) and were included in the item “Capital Work-in-Progress” of the Statement of Financial Position, based on the expectation that future benefits would cover at least such costs.

12 AMORTISATION AND DEPRECIATION

Amortisation and depreciation totalled Euro 24,900 thousand in the first six months of 2017 (compared to Euro 27,241 thousand for the first half 2016) and are detailed as follows:

Second quarter of (*)			Figures in thousand/Euro	First half of		
2017	2016	Change		2017	2016	Change
6,049	5,083	966	Amortisation of intangible assets	14,635	17,047	(2,412)
5,085	5,042	43	Depreciation of property, plant and equipment	10,265	10,194	71
11,134	10,125	1,009	Total	24,900	27,241	(2,341)

(*) Unaudited

Based on ADM note n. 54917 issued on June 9, 2016 and related to the extension by one year (up to June 30, 2017) of the concessions expiry (initially due on June 30, 2016), in the second quarter of 2016 the portion of intangible assets related to these concessions was adjusted accordingly to reflect such extended period. Furthermore, in the absence of the betting tender and given the additional extension by one extra year (up to June 30, 2018) ruled by ADM, the portion of intangible assets was adjusted again (please see Note 2 for further information).

Further information on amortisation and depreciation please see Notes 15 and 16 on "Property, plan and equipment" and Intangible assets".

13 FINANCIAL INCOME AND COSTS

In the first six months of 2017, net financial costs amounted to Euro 20,502 thousand, down by Euro 7,970 thousand over the first half of 2016, as detailed below:

Second quarter of (*)			Figures in thousand/Euro	First half of		
2017	2016	Change		2017	2016	Change
Gains and expenses from shareholdings						
(541)	2	(543)	Revaluation/(write off) of Hippogroup Roma Capannelle S.p.A.	(541)	2	(543)
0	(3)	3	Revaluation/(write off) of Solar S.A.	0	(3)	3
0	(4)	4	Revaluation/(write off) of Obiettivo 2016	0	(4)	4
(541)	(5)	(536)		(541)	(5)	(536)
Financial income						
8	2	6	Foreign exchange gains	9	9	0
100	187	(87)	Interest on cash and cash equivalent	115	347	(232)
126	(4)	130	Other interest	266	61	205
234	185	49		390	417	(27)
Financial costs						
9,398	14,168	(4,770)	Interests on bonds	18,757	28,007	(9,250)
93	54	39	Other interest costs	114	82	32
0	1	(1)	Interest payable on bank overdraft	0	3	(3)
10	6	4	Foreign exchange losses	13	7	6
16	30	(14)	Interest and ancillary charges on lease	39	55	(16)
23	40	(17)	Interest on employee termination indemnities	46	81	(35)
1,031	353	678	Other financial costs	1,382	649	733
10,571	14,652	(4,081)		20,351	28,884	(8,533)
(10,878)	(14,472)	3,594	Total	(20,502)	(28,472)	7,970

(*) Unaudited

Financial costs include the following:

- "Interest on bonds", subject to depreciation in accordance effective interest rate method proposed by IAS 39, totalled Euro 18,757 thousand, of which Euro 1,013 thousand attributed to ancillary costs (please see Note 28 for further details on bonds).
- "Other financial costs" for a total of Euro 1,382 thousand, which includes discounting of receivables due beyond one year (Euro 612 thousand), commitment fee (Euro 449 thousand) and arrangement fee (Euro 179 thousand) for the period and related to the new Euro 85 million revolving credit facility executed on October 26, 2016 (please see Note 28 for further details on new revolving facility).

14 INCOME TAX

Current income taxes, inclusive of IRES and IRAP on the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities of first half of 2017, presented a negative balance of Euro 4,413 thousand (compared to a negative figure of Euro 8,225 thousand in the first half of the previous year).

Second quarter of (*)		Figures in thousand/Euro	First half of	
2017	2016		2017	2016
0	182	IRES	0	411
442	754	IRAP	783	1,819
1,190	1,187	Deferred tax liabilities	2,377	2,375
(277)	(308)	Reversal of temporary differences on deferred tax liabilities	(537)	(600)
(2,698)	(620)	Deferred tax assets	(4,125)	(1,024)
3,649	2,644	Reversal of temporary differences on deferred tax assets	6,173	5,251
(258)	(7)	IRES/IRAP from prior years	(258)	(7)
2,048	3,832	Total	4,413	8,225

(*) Unaudited

The table below shows the reconciliation between actual amount of IRES and IRAP arising from the Condensed Consolidated Financial Statements as of June 30, 2017 and the theoretical tax amount:

Figures in thousand/Euro	30.06.2017		30.06.2016	
Profit before tax		6,447		7,829
Theoretical IRES tax charge	24.00%	(1,547)	27.50%	(2,153)
Theoretical IRAP tax charge	5.12%	(330)	5.12%	(401)
Total theoretical tax expense		(1,877)		(2,554)
Fines, penalties and other taxes		(109)		(230)
Other permanent non-deductible costs		(1,392)		(6,888)
Other permanent tax deductions		172		847
		(3,206)		(8,825)
Permanent differences for IRAP tax purposes (including employees)		(1,465)		593
		(4,671)		(8,232)
Tax and duties for prior years		258		7
Actual tax expense	-68.46%	(4,413)	-105.06%	(8,225)

NOTES ON MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures are presented in thousands of Euro, except where otherwise indicated, and are compared to December 31, 2016 figures.

15 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as of June 30, 2017 amounted to Euro 131,655 thousand (compared to Euro 135,693 thousand as of December 31, 2016). Any changes are due to the combined effect of the depreciation charged for the period of Euro 10,265 thousand, additions of Euro 6,318 thousand, additions via business combination of Euro 440 thousand, disposals net of accumulated depreciation of Euro 545 thousand and re-measurements of the accumulated depreciations of Euro 14 thousand.

<i>Figures in thousand/Euro</i>	Land and buildings	Plant and equipment	Industrial and commercial fixtures	Other assets	Capital WIP	Total
Cost						
At January 1, 2016	146,630	216,895	8,684	43,728	59	415,996
Re-measurements	0	1,373	(1,146)	(225)	0	2
Additions	855	10,151	51	343	0	11,400
Deletions	0	(12,623)	(562)	(12,753)	(59)	(25,997)
At December 31, 2016	147,485	215,796	7,027	31,093	0	401,401
Additions via business combination		440				440
Additions	555	5,319	29	415	0	6,318
Deletions	0	(3,836)	(45)	(1,511)		(5,392)
At June 30, 2017	148,040	217,719	7,011	29,997	0	402,767
Accumulated depreciation						
At January 1, 2016	40,096	182,863	8,100	36,962	0	268,021
Charge for the period	3,218	16,785	73	2,438		22,514
Impairments	0	97	0	81		178
Deletions	0	(12,397)	(2)	(12,606)		(25,005)
Re-measurements	0	2,348	(1,351)	(997)		0
At December 31, 2016	43,314	189,696	6,820	25,878	0	265,708
Charge for the period	1,601	7,684	29	951		10,265
Deletions	0	(3,386)	(43)	(1,418)		(4,847)
Re-measurements	0	(13)	0	(1)		(14)
At June 30, 2017	44,915	193,981	6,806	25,410	0	271,112
Net book value						
At January 1, 2016	106,534	34,032	584	6,766	59	147,975
At December 31, 2016	104,171	26,100	207	5,215	0	135,693
At June 30, 2017	103,125	23,738	205	4,587	0	131,655

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

"Additions via business combination" is equal to Euro 440 thousand and relates to the acquisition from Effebi S.r.l. of the business unit devoted to money change machines and AWP motherboards (please see Note 4 for further information).

Increases as of June 30, 2017 of Euro 6,318 thousand mainly relate to the following:

- “Land and Building” totalling Euro 555 thousand and composed as follows: Euro 512 thousand to consolidation activities and structural improvement of racetracks and Euro 43 thousand mainly due to remediation works;
- “Plant and equipment” totalling Euro 5,319 thousand and composed as follows: Euro 4,907 thousand for the free-lease technology provided to the point of sales, including AWP’s; Euro 69 thousand for electro thermal and electrical systems; Euro 114 thousand for radio links; Euro 13 thousand for projectors and Euro 216 thousand for the acquisition cost of capital goods (server, printers, PCs and monitors);
- “Other assets” amounting to Euro 415 and composed as follows: Euro 313 thousand for free-lease furnishing and fittings provided free the point of sales (including those ones directly owned), Euro 102 thousand for head offices furnishing.

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

Financial lease agreements

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

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

Figures in thousand/Euro

Total outstanding commitments as of June 30, 2017	362
of which	
Within one year	127
In the second to fifth years inclusive	235
After 5 years	-
Option to purchase	0

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

16 INTANGIBLE ASSETS

Intangible assets as of June 30, 2017, amounted to Euro 436,872 thousand (compared to Euro 447,392 thousand as of December 31, 2016) and changes were mainly due to the combined effect of amortisation charged for the period of Euro 14,635 thousand, additions of Euro 3,755 thousand and additions via business combination of Euro 360 thousand.

	Goodwill	Concessions, licenses, brands and similar rights	Industrial patent rights and intellectual property	Other	Capital WIP	Total
<i>Figures in thousand/Euro</i>						
Cost						
At January 1, 2016	306,546	361,383	25,440	70,126	388	763,883
Re-measurements		11	(4,330)	4,330	(196)	(185)
Additions		5,707	925	3,178	642	10,452
Deletions		-	(1,836)	(3)	(16)	(1,855)
At December 31, 2016	306,546	367,101	20,199	77,631	818	772,295
Additions via business combination	360					360
Additions		2,338	60	709	648	3,755
Deletions	0	0	(5)	0	0	(5)
At June 30, 2017	306,906	369,439	20,254	78,340	1,466	776,405

Accumulated depreciation

At January 1, 2016	74	253,478	20,872	17,762	0	292,186
Charge for the period	0	27,140	1,349	5,744		34,233
Impairments		475	0	0		475
Deletions		0	(1,835)	(2)		(1,837)
Re-measurements		0	(3,178)	3,024		(154)
At December 31, 2016	74	281,093	17,208	26,528	0	324,903
Charge for the period	0	11,217	535	2,883		14,635
Deletions		0	(5)	0		(5)
At June 30, 2017	74	292,310	17,738	29,411	0	339,533
Net book value						
At January 1, 2016	306,472	107,905	4,568	52,364	388	471,697
At December 31, 2016	306,472	86,008	2,991	51,103	818	447,392
At June 30, 2017	306,832	77,129	2,516	48,929	1,466	436,872

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

“Additions via business combination” is equal to Euro 360 thousand and relates to the acquisition from Effebi S.r.l. of the business unit (please see Note 4 for further information).

Additions of Euro 3,755 thousand relate primarily to the following items:

- “Concessions, licenses, brands and similar rights”, amounting to Euro 2,338 thousand, of which Euro 1,500 thousand for the purchase of 100 VLT licenses and Euro 838 thousand for the issuing of the AWP paper-based authorisation form;
- “Other”, totalling Euro 709 thousand, including Euro 284 thousand on VLT platform compliance, Euro 45 thousand for operation, logistic and CRM software development, Euro 12 thousand for development of portals, Euro 174 thousand related to financial management software, Euro 174 thousand for the development of paymat, slot and smart solution platform.
- “Capital WIP”, amounting to Euro 648 thousand includes: Euro 595 for in-house software and Euro 53 thousand for development costs of the former Trotto area.

Based on ADM note n. 54917 issued on June 9, 2016 and related to the extension by one year (up to June 30, 2017) of the concessions expiry (initially due on June 30, 2016), in the second quarter of 2016 the portion of intangible assets related to these concessions was adjusted accordingly to reflect such extended period. Furthermore, in the absence of the betting tender and given the additional extension by one extra year (up to June 30, 2018) ruled by ADM, the portion of intangible assets was adjusted again (please see Note 2 for further information).

Goodwill amounted to Euro 306,832 thousand and was allocated to the following cash-generating units (CGU):

- Euro 11,137 thousand provided by SNAI Servizi Spazio Gioco S.r.l. was allocated to CGU “Services”.
- Euro 443 thousand provided by Teleippica S.r.l. referred to the CGU “Broadcasting”.
- Euro 146,584 thousand to the CGU “Gaming machines”. CGU is represented by activities related to the concessions for gaming machines (AWP and VLT) and any related activities, management of the point of sales directly owned;
- Euro 78,918 thousand to the “Betting Retail” CGU. This CGU includes the activities related to the concessions for Sports Betting, Horserace Betting and Virtual Events played on retail channel and the management of the point of sales directly owned;
- Euro 69,750 thousand to the “Online” CGU. This CGU includes the activities related to the concession for Online games (Skill games, Casino and bingo) and Sports Betting, Horserace Betting and Virtual Events played on the online channel.

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

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

The Additional consolidation measures to 2017 Budget law approved on 24 April 2017, set the increase of the PREU for AWP's from 17.5% to 19% and for VLTs from 5.5% to 6%. The increase in taxation, all other things being equal, does not have a large impact on the validity of the impairment testing performed on the annual financial statements, since the excess of carrying amount over the value in use is within the irrelevance threshold set during the sensitivity analysis. As of June 30, 2017 no impairment testing was performed given the absence of any impairment indicators.

17 INVESTMENTS

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

	Carrying amount at		Percentage of ownership	
	As of June 30, 2017	As of December 31, 2016	As of June 30, 2017	As of December 31, 2016
<i>Figures in thousand/Euro</i>				
Associates and subsidiaries measured using the equity method				
- Hippogroup Roma Capannelle S.p.A.	497	1,038	27.78	27.78
- Alfea S.p.A.	1,477	1,477	30.70	30.70
- Connex S.r.l. in liquidation	0	0	25	25
- Solar S.A.	0	0	30	30
- Teseo S.r.l. in liquidation	0	0	100	100
Total investments measured using the equity method	1,974	2,515		
Other				
- Lxorfin S.r.l.	46	46	2.44	2.44
Total other investments	46	46		

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

18 DEFERRED TAX

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

Deferred tax assets and liabilities for the Snaitech Group totalled a net amount of Euro 47,354 thousand of deferred tax asset (compared to Euro 51,288 thousand of deferred tax asset as of December 31, 2016).

For greater clarity in terms of disclosure, the total amount of timing differences and tax loss carryforward is presented separately for deferred tax assets and liabilities in the tables below. Similarly, the theoretical amount of deferred tax assets and liabilities, as well as the amounts presented in the consolidated financial statements, are shown separately.

18.1 Deferred tax assets

Temporary differences	Amount	Rate	Maximum Tax asset allowed	Tax asset recognised	Reversal period
Provisions for bad or doubtful debts taxed	55,451	24.00%	13,309	12,448	2017 onwards
Provisions for risks and charges	16,997	24.00%; 29.12%; 27.90%; 28.82%	4,833	4,833	2017 onwards
Provision for obsolete inventory	200	24.00%; 29.12%; 27.90%; 28.82%	57	57	2017 onwards
Book value versus taxable value of fixed and intangible assets	5,889	24.00%-29.12%	1,529	1,529	2017 onwards
Non-deductible interest costs as per art. 96 of Tuir	204,992	24.00%	49,198	24,275	2017 onwards
Other temporary differences	2,324	24.00%-29.12%-27.90%-28.82%	594	594	2017 onwards
Total	285,853		69,520	43,736	

Loss carryforward	Amount	Rate	Maximum Tax asset allowed	Tax asset recognised	Expiry
Snaitech S.p.A.					
Consolidated Statements					
Year 2008	19,767	24.00%	4,744	4,744	Indefinitely
Year 2009	10,200	24.00%	2,448	2,448	Indefinitely
Year 2010	29,060	24.00%	6,974	6,974	Indefinitely
Year 2011	19,370	24.00%	4,649	4,649	Indefinitely
Year 2012	28,915	24.00%	6,940	6,940	Indefinitely
Year 2013	57,931	24.00%	13,903	13,903	Indefinitely
Year 2014	12,587	24.00%	3,021	3,021	Indefinitely
Year 2015	3,869	24.00%	929	929	Indefinitely
Year 2016	8,578	24.00%	2,059	2,059	Indefinitely
Year 2017	14,157	24.00%	3,398	3,398	Indefinitely
Total Loss carryforward of Snaitech S.p.A. Consolidated Statements	204,434		49,065	49,065	
Snaitech S.p.A.					
Limited use	96,919	24.00%	23,261	23,261	Indefinitely
Fully usable	27,514	24.00%	6,603	6,603	Indefinitely
Total Loss carryforward of Snaitech S.p.A.	124,433		29,864	29,864	
SNAI Rete Italia S.r.l.					
Limited use	4,682	24.00%	1,124	-	Indefinitely
Total Loss carryforward of SNAI Rete Italia S.r.l.	4,682		1,124	-	
Total Loss carryforward	333,549		80,053	78,929	
Total deferred tax assets				122,665	

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

<i>Figures in thousand/Euro</i>	As of December 31, 2016	Amount credited	Amount charged	As of June 30, 2017
Deferred tax assets	124,758	4,138	(6,231)	122,665
of which:				
Provisions for bad or doubtful debts	14,413	15	(1,980)	12,448
Provisions for risks and charges	8,514	254	(3,935)	4,833
Provision for obsolete inventory	57	0	0	57
Book value versus taxable value of fixed and intangible assets	1,412	232	(115)	1,529
Non-deductible interest costs as per art. 96 of Tuir	24,183	92	0	24,275
Other temporary differences	542	134	(82)	594
Loss carryforward	75,637	3,411	(119)	78,929

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

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

Precisely, on June 30, 2017, directors of the parent Company recognised deferred tax assets arising from temporary differences and loss carryforward, except as hereinafter set forth.

The above-mentioned recognition is based on the business plan projections of future positive results.

It should be noted that the deferred tax assets arising from loss carryforward of Snaitech S.p.A. Consolidated Financial Statements totalled Euro 49,065 thousand, while the loss carryforward amount of Snaitech S.p.A. stand-alone, resulting from the merger by incorporation of the undertakings of Cogemat/Cogetech Group and therefore non recognisable in Consolidated Financial Statements, amounted to Euro 29,864 thousand.

It should be noted that, concerning the non-deductible interest costs as per art. 96 of DPR 917/1986, deferred tax assets have been recognised for a total amount of Euro 24,275 thousand (given a maximum tax asset allowed of Euro 49,198 thousand). In particular, with regards to Snaitech S.p.A., in 2013 and 2014 deferred tax assets were recognised respectively for Euro 9,658 thousand and Euro 2,363 thousand (given maximum tax asset allowed respectively of Euro 10,875 thousand and Euro 5,941 thousand). No deferred tax assets were instead recognised in 2015, 2016 and first half of 2017 (given a maximum tax asset allowed of Euro 20,009 thousand).

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

18.2 Deferred tax liabilities

Temporary differences	Amount	Rate	Maximum Tax liability allowed	Tax liability recognised
Tax depreciation of goodwill	(12,078)	24.00%- 29.12%- 28.82%	(3,327)	(3,327)
Tax depreciation of goodwill arising from business units	(171,553)	24.00%- 29.12%	(48,877)	(48,877)
Depreciation of distribution network	(41,868)	24.00%- 29.12%	(11,682)	(11,682)
Book value versus taxable value of fixed assets	(39,182)	24.00%- 29.12%	(11,393)	(11,393)
Other temporary differences	(129)	24.00%	(32)	(32)
Total deferred tax liabilities	(264,810)		(75,311)	(75,311)

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

<i>Figures in thousand/Euro</i>	As of December 31, 2016	Amount credited	Amount charged	As of June 30, 2017
Deferred tax liabilities	73,470	2,378	(537)	75,311
Of which:				
Tax depreciation of goodwill	3,265	62	0	3,327
Tax depreciation of goodwill arising from business units	46,568	2,309	0	48,877
Depreciation of distribution network	12,115	0	(433)	11,682
Book value versus taxable value of fixed assets	11,484	6	(97)	11,393
Other temporary differences	38	1	(7)	32

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

Depreciation of distribution network equals to Euro 41,868 thousand (given a maximum tax liability allowed of Euro 11,682 thousand) and results from the merger by incorporation into Snaitech S.p.A. of the undertakings of the Cogemat/Cogetech Group. In particular, once accounted for the relevant assets and liabilities of the absorbed undertaking at fair value, a portion of the difference between purchase cost (made up by the share capital increase carried out by Snaitech S.p.A.) and transferred shareholders' equity was allocated, based on fair value, to the distribution network of the Cogemat/Cogetech group.

Difference between book value and taxable value of fixed assets totalled Euro 39,182 thousand (given a maximum tax liability allowed of Euro 11,393 thousand) and relates mainly to the real estate properties (former Trenno) in Milan - San Siro - and Montecatini (Euro 36,857 thousand, given a maximum tax liability allowed of Euro 10,733 thousand) as well as land and buildings (former Immobiliare Valcarenga S.r.l.) in Milan (Euro 1,310 thousand, given a maximum tax liability allowed of Euro 381 thousand).

18.3 Tax Consolidation pursuant to articles 117 and seq. of D.P.R. n. 917 of December 22, 1986

It must be noted that on September 29, 2016, it was renewed the tax consolidation option between SNAITECH S.p.A. and the consolidated undertaking for the three-year period 2016-2018, pursuant to art. 117 of D.P.R. 917/1986. Furthermore, it is still in place the tax consolidation of the consolidated undertakings, pursuant to art. 117 of D.P.R. 917/1986.

It should be noted how tax consolidation entails certain beneficial effects on the Group's tax burden, including the opportunity to offset, in full or partially, any tax losses incurred by the undertakings (falling in the basis of consolidation) with any profits reported by other consolidated undertakings, in addition to the opportunity to recover any portion of non-deductible interest costs borne by consolidated undertakings against any EBITDA in excess reported by other consolidated undertakings.

Snaitech S.p.A., as the parent company, is required to make advance and balance payment of corporate tax IRES due on tax return filed.

Under the existing agreements, the payment of income tax on any taxable income transferred to the parent company is offset against receivables for advance payment, withholding amounts and tax deductions while the amount in excess is payable within 90 days after the Company's receipt of the request from the consolidated undertakings.

In the event that a consolidated undertaking transfer a tax credit to Snaitech S.p.A., the undertaking would be indemnified by an amount similar to the tax credit transferred.

Benefits arising from the transfer to Snaitech S.p.A. of tax loss 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.

Consolidated undertakings are liable to tax authority in the event that a higher taxable income for the parent Company is assessed, following a miscalculations by the consolidated undertakings thereon.

19 INVENTORIES

Inventories increased by Euro 22 thousand when compared to December 31, 2016 level. The breakdown is shown below:

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Raw materials	1	1	0
Semi-finished products	0	0	0
Finished products/goods	220	198	22
Total inventory	221	199	22

The value of inventories is net of any provision, which amounts to Euro 200 thousand as of June 30, 2017 (same value as of December 31, 2016).

20 TRADE RECEIVABLES

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

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Non-current trade receivables			
- From clients	6,362	1,400	4,962
- Bills receivable	415	914	(499)
Total non-current trade receivables	6,777	2,314	4,463

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

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Trade receivables			
- From clients	134,767	168,469	(33,702)
- From foreign clients	695	497	198
- From MIPAAF	5,433	2,799	2,634
- From stables, jockeys and bookmakers	298	433	(135)
- From the Parent Company Global Games S.p.A.	8	4	4
- Bills receivables	1,991	1,222	769
- Provisions for bad or doubtful debts	(50,166)	(58,876)	8,710
Total trade receivables	93,026	114,548	(21,522)

Trade receivables from clients reflect balances as of June 30, 2017 from Betting and Gaming Machines operators net of their remunerations. The reduction is mainly due to the re-profiling of payment deadlines (beyond 12 months) for some clients and to the optimisation of the credit policies implemented.

Trade receivables from clients also include the receivables subject to legal action for an amount equal to Euro 40,624 thousand (versus Euro 51,941 thousand as of December 31, 2016).

Receivables from MIPAAF (former ASSI now merged into by the Ministry of Agriculture) amounted to Euro 5,433 thousand (compared to Euro 2,799 thousand as of December 31, 2016) and include:

- Euro 3,912 thousand receivables (1,278 thousand as of December 31, 2016) of Società Trenno S.r.l. related to services provided in the first half of 2017 and the full year 2016 including: subsidies for television broadcasts in November and December, the advance payment for the third quarter and the subsidy balance for horseraces, the advance payment for November and December and subsidy balance related to plants. The above amounts, as of June 30, 2017, are still to be invoiced pending assessment by MIPAAF on the accounting as set forth in Decree No. 24307 of March 25, 2016, Art. 6;
- Euro 1,521 thousand (Euro 1,521 thousand as of December 31, 2016) related to the agreement made by Teleippica S.r.l. to daily broadcast domestic and foreign horserace tracks and UNIRE BLU channel to point of sales "Ippica nazionale" and to provide other ancillary services.

Provisions for bad or doubtful debts were determined according to the amount of doubtful receivables, debtors' conditions, any guarantees provided to the Group, assessing the effective recovery of overdue receivables also given the legal opinions received on the dispute status. Based on the guarantees provided by debtors, Directors believe adequate the provisions to cover foreseeable future losses on receivables.

As presented in the item "Other operating costs", the expenses related to bad or doubtful debts for the period ending June 30, 2017 equal Euro 2,784 thousand.

21 OTHER (NON-CURRENT) NON-FINANCIAL ASSETS / OTHER (CURRENT) ASSETS

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

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Other non-financial assets			
<i>Tax receivables:</i>			
- from tax authority on tax refunds	46	46	0
	46	46	0
<i>Receivables from others:</i>			
- security deposits	1,161	1,170	(9)
- other receivables	320	0	320
	1,481	1,170	311
Total Other non-financial assets	1,527	1,216	311

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

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Other current assets			
<i>Tax receivables:</i>			
- From tax authority on IRES	2,525	2,518	7
- From tax authority on IRAP	553	175	378
- From tax authority on VAT	0	1,578	(1,578)
- From tax authority on other receivables	2,713	1,237	1,476
	5,791	5,508	283
<i>Receivables from others:</i>			
- Security deposit related to Gaming Machines	17,887	37,392	(19,505)
- Receivable for the advance payment to ADM of the second instalment of Stability Law	182	182	0
- Advance payment of concession fee and other receivables from ADM	2,533	2,137	396
- Receivables from ADM related to winnings on Betting Pool and national horse racing	9	34	(25)
- Security deposit related to Online Games (Skill/Bingo)	124	131	(7)
- Receivables related to Skill Games	17	14	3

- Receivables from regulators on prior positions	327	327	0
- Receivables related to undue payment of interest/sanctions on PREU	2,114	2,114	0
- Receivables from Bluline digital payment portfolio	226	226	0
- Pension funds	393	209	184
- Other receivables	4,732	4,030	702
- Provision for bad or doubtful debts	(2,807)	(2,929)	122
	25,737	43,867	(18,130)
<i>Accrued income and deferred expenses</i>			
- Accrued income	4	4	0
- Deferred expenses	5,896	3,947	1,949
	5,900	3,951	1,949
Total Other current assets	37,428	53,326	(15,898)

The item "Security deposit related to Gaming Machines" of Euro 17,887 thousand (versus Euro 37,392 thousand as of December 31, 2016) relates to 0.5% on wagers collected from gaming machines (AWP and VLT), as described in greater detail in Note 5, "Revenues from sales and services". In May, Snaitech S.p.A. received a payment of Euro 37,117 thousand related to security deposit for 2016.

The item "Advance payment of concession fees and other receivables from ADM" equals to Euro 2,533 thousand and refers to the fixed part of the concession fee (for Betting and Online) paid in advance to ADM in the first half of 2017 and net of any amount for the relevant period. Please see Note 10 for further details.

The item "Other receivables" includes the escrow deposit of Euro 758 thousand, related to the payment made by SNAI Rete Italia S.r.l. in favour of SIS S.r.l., in liquidation, and functional to guarantee any potential liability that might occur, as envisaged by the agreement executed on July 18, 2016.

"Deferred expenses" item include:

- Euro 2,701 thousand (compared to Euro 1,183 thousand as of December 31, 2016) for advanced payments of guarantee fees and insurance premiums, mainly related to those guarantees provided under the concessions agreements;
- Euro 1,468 thousand (compared to Euro 1,649 thousand as of December 31, 2016) related to the arrangement fee on the senior revolving facility (please see Note 28);
- Euro 1,727 thousand (compared to Euro 1,115 thousand as of December 31, 2016), primarily related to deferred costs of maintenance, assistance, lease payments and utilities.

22 FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Non-current financial assets totalled Euro 2,198 thousand (compared to Euro 2,009 thousand as of December 31, 2016) and relate to deposits paid under AWP agreements executed with operators.

The current financial assets consist of the following:

<i>Figures in thousand/Euro</i>	As of		Change
	As of June 30, 2017	December 31, 2016	
Escrow accounts	16,778	16,785	(7)
Dedicated bank account	39	72	(33)
Società Fiorentina Corse Cavalli share exchange	1	1	0
Total Current financial assets	16,818	16,858	(40)

Escrow accounts, totalling Euro 16,778 thousand, were opened by the parent Company to set-off the receivables from ADM due under "Di Maio" arbitral award and payables related to horserace bets collections due on a bi-weekly basis (the so-called "former ASSI fifteen-days payments"). Such escrow accounts are held pending ADM's decisions following the judgement of the Milan Court of Appeal of November 21, 2013, which declared void the "Di Maio" arbitral award, issued on May 26, 2003.

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

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Bank accounts	131,259	79,095	52,164
Postal accounts	1,883	2,016	(133)
Cash	883	1,226	(343)
Net cash and cash equivalents	134,025	82,337	51,688

The increase in cash and cash equivalents for Euro 51,688 thousand is mainly due to the refund of security deposit from ADM for Euro 37,117 thousand and to changes in working capital (please see Note 39 for further details).

24 SHAREHOLDERS' EQUITY

Shareholders' equity of the Group as of June 30, 2017 settled at Euro 120,729 thousand and includes a profit for the period of Euro 2,034 thousand.

In particular, the following items compose shareholders' equity:

Share capital

The allotted and fully paid share capital at June 30, 2017 of the parent company Snaitech S.p.A. amounted to Euro 97,982,245.40 (same level as of December 31, 2016), and is comprised of 188,427,395 ordinary shares (188,427,395 as of December 31, 2016).

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

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

All the shares issued are ordinary shares.

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

Reserves

Share premium account

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

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

The reserve (in compliance with IAS 19) equals to Euro -842 thousand and relates to actuarial profit or loss.

Treasury shares

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

Retained earnings/loss carryforward

Retained earnings/loss carryforward amounted to Euro 35,284 thousand and included Euro 16,954 thousand for the period due to the loss for 2016.

Non-controlling interest

As of June 30, 2017, there are no non-controlling interests since the equity in subsidiaries is entirely attributable to Snaitech S.p.A. shareholders.

25 OTHER COMPREHENSIVE INCOME/(COST)

In the first six months of 2017, items of the Statement of Comprehensive Income are Euro 185 thousand and relate to the entry of actuarial re-measurements in Employee Termination Indemnities, whereas in the first quarter of 2016 amounted to Euro 17 thousand, deriving from the fair value valuation of the Eonia Funds sold on March 10, 2016.

2 Quarter of (*)			1 Half of	
2017	2016		2017	2016
0	0	Financial assets Available-For-Sale (fair value)	0	17
0	0		(a)	0
		Actuarial re-measurements in defined benefit pension scheme:		
243	0	Actuarial Gain (loss)	243	0
(58)	0	Tax on re-measurements	(58)	0
185	0		(b)	185
185	0	Total comprehensive income (loss) for the period (a+b)	185	17

(*) Unaudited

26 EARNINGS PER SHARE

Basic earnings per share

As of June 30, 2017, the amounts were calculated by dividing the profit (loss) attributable to ordinary shareholders, equal to Euro 2,034 thousand (versus a loss of Euro 16,954 thousand as of December 31, 2016), by the weighted average number of ordinary shares, equal to 188,356,771 (same number as of December 31, 2016), outstanding in the period ending on June 30, 2017,

Amounts were calculated as follows:

	For the six months ended June 30, 2017	For the year ended December 31, 2016	For the six months ended June 30, 2016
<i>Figures in thousand</i>			
Net profit/loss for the period/year (a) in thousands of Euro	2,034	(16,954)	(396)
Weighted average number of ordinary shares /1000 (b)	188,356.77	188,356.77	188,356.77
Basic earnings/(loss) per share (a/b) in unit of Euro	0.01	(0.09)	0.00

Diluted earnings per share

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

27 EMPLOYEE TERMINATION INDEMNITIES

Employee termination indemnities as of June 30, 2017 amounted to Euro 7,311 thousand against Euro 8,089 thousand as of December 31, 2016.

Movements in the current period were as follows:

Figures in thousand/Euro

Balance as of January 1, 2017	8,089
Accruals	46
Utilizations	(627)
Financial expenses	46
<i>Experience actuarial loss/(gain)</i>	(1)
<i>Actuarial loss/(gain) arising from changes in demographic assumptions</i>	0
<i>Actuarial loss/(gain) arising from changes in financial assumptions</i>	(242)
Total actuarial loss/(gain)	(243)
Balance as of June 30, 2017	7,311

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

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

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

28 FINANCIAL LIABILITIES

The financial liabilities are composed as follows:

Figures in thousand/Euro

	As of June 30, 2017	As of December 31, 2016	Change
Non-current financial liabilities			
Bond loan	558,128	557,115	1,013
Bank loans	936	0	936
Obligations under finance leases	220	299	(79)
Total non-current liabilities	559,284	557,414	1,870
Current financial liabilities			
Obligation under finance leases	245	309	(64)
Interest on bonds	5,311	5,352	(41)
Due to banks	137	141	(4)
Current portion of long-term loans	475	0	475
Due to point of sales and related to purchase of business units and Sports/Horserace betting concessions	32	32	0
Total current financial liabilities	6,200	5,834	366

The financial liabilities include:

- Bonds issued on November 7, 2016 (described in the following paragraphs) are accounted with the amortised cost method for a total of Euro 558,128 thousand (notional value of Euro 570,000 thousand)

net of any direct ancillary costs. Such ancillary costs included the transaction fees and the listing costs in addition to the original issue discount. The amount recognised in the Consolidated Income Statement as of June 30, 2017 was Euro 1,013 thousand.

- Bank loans reported in the item “non-current liabilities” and the current portion of long-term loans totalled Euro 1,411 thousand relate to a loan offered by Banca Popolare di Milano originally for Euro 1,450 thousand.
- Obligations under finance leases, totalling Euro 465 thousand, mainly relate to technology deployed in point of sales and to the disaster recovery plan, as described in greater detail in Note 15 “Property, plant and equipment”.

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

Current bonds embed also early payment options. This type of option may be treated as embedded derivatives and as such, must be presented on a stand-alone basis in the financial statements unless it can be classified as “closely related” to the debt itself. The Company determined the fair value of such options on a stand-alone basis, which presented a null value as of June 30, 2017.

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

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

Bonds	Notional (000/ Euro)	Term	Interest period	Maturity	Redemption	Issue date	Issued Amount
Senior Secured Notes	320,000	5 years	6 months	7.11.2021	Bullet	7.11.2016	320,000
Senior Secured Floating Rate Notes	250,000	5 years	3 months	7.11.2021	Bullet	7.11.2016	250,000
Senior Revolving Facility	85,000		1, 3 or 6 months	7.08.2021	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.		-
Bank loan	1,450	3 years	1 month	31.05.2020	Straight-line depreciation	11.05.2017	1,450
Total	656,450				Total Amount disbursed as of June 30, 2017		571,450

Please refer to Note 39.1 for information on covenants.

29 PROVISIONS FOR RISKS AND CHARGES

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

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

As of June 30, 2017, the provisions for risks and charges amounted to Euro 17,739 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

<i>Figures in thousand/Euro</i>	Provisions for technological renewal	Provisions for tax disputes, litigations, contractual risks and other	Total
Balance as of December 31, 2016	2,297	27,874	30,171
Accruals for the period	435	645	1,080
Reclassifications		(4,676)	(4,676)
Releases for the period		(8,836)	(8,836)
Balance as of June 30, 2017	2,732	15,007	17,739

Provisions for technological renewal

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

Provisions for tax disputes, litigations and contractual risks

The provision for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 15,007 thousand.

The accruals for the period, amounting to Euro 645 thousand, of which Euro 455 thousand related to deferred expenses forecasted for the corporate restructuring of the undertaking Società Trenno S.r.l..

Releases for the period amount to Euro 8,836 thousand, of which Euro 7,794 thousand related to settlement agreements on a civil dispute and with personnel (including legal costs); Euro 637 thousand related to the charges incurred with the sale of business units and the closure of shops of SNAI Rete Italia S.r.l.; and Euro 406 thousand related to others.

Liabilities for Euro 4,676 thousand refer to Euro 2,940 thousand to the tax assessment report – PVC for the period 2011-2012-2013 and Euro 1,736 thousand to settlement agreements with personnel, finalised in July.

The following section will provide a summary of the most significant proceedings; unless indicated otherwise, no provisions have been made in relation to the disputes described below for which Snaitech Group considers as possible (namely, not probable) an unfavourable outcome or whenever the amount of the provision cannot be estimated reliably.

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

Administrative disputes

Ruling on reporting procedures initiated by the Substitute Prosecutor before the Court of Auditors and consequent accounting-related judgement

1) Ruling on reporting procedures and accounting-related judgement

a. 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 of the Court of Auditors, presuming the qualification of the “accounting agents” of the Concession holders, notified Snaitech and Cogetech (merged by incorporation into Snaitech on November 1, 2016) and other gaming concession holders about a claim under article 46 of Royal Decree no. 1214/1934, and a concurrent motion under article 41 of 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 to the cash flows arising from the management of gaming activities, as network concession holder. Following the hearings held and the documentation filed, the Company was acquitted with judgements no. 2186/2010 and 11891/2012.

The District Prosecutor notified the Company about appealing against these judgement. Similarly to the case of other concession holders, with judgement no. 5/2914 and 948/2014, the Court of Accounts, Central Appeal section, confirmed the existence of an accounting breach reported by the Prosecutor, although substantially reducing the respective penalties by hundreds of millions of Euro, respectively to Euro 5,000 for Snaitech and Euro 4,000 for Cogetech. Both Companies, agreeing with the correct

calculation of the claim, have duly paid the above amounts. The updating is however supplied for sake of clarity, also in view of the strict connection between the above-mentioned judgement and the accounting-related judgement described hereunder.

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

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

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

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

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

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

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

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

Appeals lodged against no. 108 proceedings, notified by ADM, revoking authorisations and consequently forfeiting the related licenses due to the non-activation or unauthorised suspension of the gaming activities. The proceedings have not yet been settled, except for the objections, related to 4 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 Snaitech does not confirm its willingness to reach a settlement.

Snaitech considered that it is no longer interested in settling 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 until all the above-mentioned proceedings are formally concluded

3) Proceedings to withdraw no. 27 betting licenses

Snaitech, through a stay of execution, challenged before the Regional Administrative Court the administrative proceedings issued by ADM and notified on March 14, 2017. Such proceedings relate the withdrawal of 27 licenses of Horseshoe and Sports betting caused by the interruption of bets collection for a number of days exceeding the maximum number set forth in the concession agreement.

Following the public hearing on April 26, 2017 to assess the Company request for a stay of execution, the Regional Administrative Court, with a decree dated April 27, 2017, rejected the request and deferred any decision to the hearing on merit.

The Company filed additional motivations and a provisional remedy before the hearing on merit occurred on June 21, 2017. The following events happened before such hearing.

On May 26, Snaitech filed a motion to request the revision of the aforementioned ADM proceedings (the motion was filed following the judgment of Court of Lucca on May 19, 2017).

ADM with proceedings n. 62618 of 14 June and n. 64130 of 13 June suspended the withdrawal of the licences; meanwhile with proceedings n. 67811 of 27 June 2017 suspended the assignment of such licences to Eurobet. Such actions were taken by ADM pending the trial before the Court of Lucca.

Additionally, ADM issued the circular n. 62147 of 13 June 2017 and the note on fulfilments by point of sales, pursuant art. 110, par. 6, b) of TULPS, providing general indication to suspend licences until the judgement of similar contest.

Snaitech has therefore filed a new motion, which restates the initial motivations, and requested both motions to be handled by the same council chamber. On Jun 21, 2017 the council postponed the hearing and requested applicant to file an additional motion justifying the need of precautionary measures required by the Company.

After June 30, 2017 and precisely on July 5, Snaitech was notified with the motion filed by Eurobet before the Administrative Regional Court, which claimed to cancel, after having received precautionary measures according to art. 55 and 56 C.P.A., the followings: ADM decree n. 0067811 of June 27, 2017 (which suspended the licences released to Eurobet for the relevant betting point of sales (please see Note 29 – Administrative disputes, par. 3); ADM decree n. 62618 of June 14, 2017 (which suspended the withdrawal of licences held by Snaitech ordered with ADM decree n. 29427 of March 14, 2017); Circular letter of the Director of Central division of ADM n. 0062147 of June 13, 2017 and any subsequent amendments.

The Administrative Regional Court with a decree published on July 7, 2017 accepted the request of precautionary measures by scheduling the hearing on August 1, 2017. Following the hearing, the Administrative Regional Court, on August 2, 2017 rejected the request of precautionary measures.

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

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

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

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

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

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

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

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

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

With judgement 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 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 ADM.

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

At the hearing of December 5, 2012, the judgement on the case was upheld. With court 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 judgement no. 275 of November 18, 2013, the Constitutional Court assessed the constitutional breach 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 judgement no. 7324/2014, lodged on last July 10, the Lazio Regional Administrative Court cancelled all payment requests of the horse racing minimum guaranteed amounts for the 2006/2011 period. 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 administration body.

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

The 2015 Stability Law included the obligation of the Group to pay, on a proportional basis, the Stability Tax, the proportional share of which was quantified by the directorial execution order implementing article 1, paragraph 643, letter I) of the Stability law 2015 issued by ADM (the “ADM decree”). Pursuant to the 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWP are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWP under concession license, regardless of the fact that these machines are managed directly by the concession holder.

Pursuant to the ADM Decree, the amount of the Stability Tax due by the former SNAI Group for 2015 was determined, on a pro-rata basis, for an amount of Euro 37.8 million to be paid in two instalments: 40% of the total by April 30, 2015 and the remaining 60% by October 31, 2015, whereas for the former Cogetech Euro 47.04 million is also to be paid according to the above described methods applicable to Snai. Pursuant to the requirements set out by the 2015 Stability Law and the ADM Decree, (i) both companies have required their partners to pay their share of the Stability Tax proportionally to the number of VLTs and AWP managed upon concession licenses and (ii) have tried to renegotiate the terms and conditions of the agreements that govern its trade relations in order to include some of the technical changes set forth by the 2015 Stability Law.

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

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

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

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

The public hearing initially scheduled on November 21, 2017 has been rescheduled on December 5, 2017. In the meantime any judgement rendered by the Lazio Regional Administrative Court are suspended.

The related risk of a possible negative outcome can be deemed as possible, with a possible confirmation of the structure set out by the regulation in force. Further details are provided in Note 20 (Trade receivables).

6) Snaitech – other party - vs. A.G.C.A.I. and others

With 6 separate claims, the A.G.C.A.I. association, – representative of the AWP concession holders – has summoned before the Lazio Regional Administrative Court and the President of the Republic, both companies (former SNAI and former Cogetech).

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

Following a hearing held in chambers for the first appeals, the competent authority rendered a judgement declaring the appeals to be late for the part referring to the ADM Directorate Decree dated January 15, 2015 and non-admissible for contested jurisdiction, in the part challenging the order of payment for the recovery of the taxes on fees under the Stability Law 2015.

The judgements are now res judicata as regards both the jurisdiction and the rules about the impossibility for further proceedings of the appeal.

For the motions notified subsequently, the scheduling of the hearings is pending for both companies.

Finally, for the motions filed with the President of the Republic, which always have the same petitum, both companies have notified their opposition to an extraordinary motion; from the time the notification was received, the 60 (sixty) days started to lapse. This time is granted to the petitioners in order to transpose the judgement before the Lazio Regional Administrative Court. To date, no notice about the transposition deed within the above terms has been received.

7) 2011 quotes - shared premises

With notice dated June 21, 2012, ADM required the concession holders to pay, on a prorata basis according to the number of gaming machines that they were formally managing, the amount of Euro 300 for the machines that, at completion of the survey (related to the period from January to August 2011), were exceeding in number with respect to the law on applicable quotas. ADM has quantified and informed Cogetech about the total amount to pay, i.e. approximately Euro 2 million, whereas former SNAI must pay approximately Euro 1.835 million.

SNAI, following a request for correcting the identified anomalies and concurrent invalidation thereof, has allocated to the appropriate provision Euro 1,470 million.

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

It is worth noting that further investigation was carried out by the ADM concerning any breach of the law on quotas after August 2011 and that with the ADM notice of July 11, 2014, the Lombardy Local Directory required the payment, by Cogetech, 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. Against the above ADM judgement, an appeal was filed, pending scheduling of the hearing.

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

8) Consistency assessments of the gaming systems and VLT gaming machines – amount related to the 2013-2015 three-year period and to the year 2016

a. With notice no. 60241 and 60192 of June 23, 2016, (“ADM Note of June 23, 2016 “), ADM - Gaming Machines Office - asked SNAI and Cogetech (now Snaitech) to pay respectively Euro 271,446.97 and 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 ADM made annual prepayments in favour of SOGEI S.p.A..

After accessing the records, the companies requested a review of the determination of the concession fees. The Administration communicated the non-acceptance of the formulated findings thus confirming the due amounts of Euro 271,446.97 for Snaitech and partially rectifying the amount requested from Cogetech to Euro 370,609.10 and inviting the companies to make the payment within 15 days from receiving the note. The objection against this measure was submitted to the Head of the State and, in the meantime, the payment was made with reserve. The petition is pending definition.

b. With notice no. 36293 of April 03, 2017 (“ADM Note of April 3, 2017”), the Gaming Machine division of ADM requested Snaitech to pay Euro 283,945.07 to cover the costs of the compliance assessment activities performed on gaming systems and VLT machines by the technological partner SOGEI S.p.A. in 2016, in relation to which ADM made annual prepayments in favour of SOGEI S.p.A..

The Company filed an appeal to the Regional Administrative Court of Lazio to invalidate the notice. Such appeal is still waiting for the hearing date to be scheduled. Pending such appeal, the Company however paid the amount due, following the ADM note received on May 18, 2017.

9) Lodo di Majo (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 was first concluded in 2003, with the “Di Majo Award”, in 2003, under which an Arbitration Panel, chaired by Prof Di Majo, and called to resolve the dispute, found that the Ministries were liable and ordered them to compensate the concession holders.

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

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

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

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

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 Award has already been authorised by a decree issued by ADM in any case, and Snaitech has arranged for such offsetting in the amount of Euro 2,498 thousand regarding the receivables directly attributable to Snaitech 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 judgement no. 2626 of November 21, 2013, the Court of Appeal in Rome declared that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence.

Snaitech appealed (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 about the appeal.

10) Allegations by the ADM regional offices related to the 2006 PREU

This dispute regards 41 allegations issued by the Regional Offices of ADM, which report the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS" (AWP) from which the differences versus the payments made by the concession holder for each machine are calculated. The aggregate amount of Penalties and PREU claimed is Euro 786,876.85 (Euro 193,427.76 in penalties and Euro 593,449.09 in PREU) plus interest.

Snaitech 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.

Only 15 proceedings out of the above are still pending before the Supreme Court of Cassation by effect of the objections submitted by ADM against the judgements of the Regional Tax Commission, which confirmed the judgement in first instance thus rejecting ADM's requests. Snaitech has appeared before the Court of Cassation and is awaiting for the hearing to be scheduled.

The remaining cases were concluded as follows i) with a cancellation order as a form of self-remedy or cessation of the existence of dispute, ii) with orders rejecting the motions filed by the Company *res judicata*, iii) in one case, with a ruling of acceptance of the motion filed by the Company *res judicata*.

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

11) Allegations by the ADM regional offices related to the 2007 PREU

This dispute regards 12 allegations issued by the Regional Offices of ADM, which report the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6a, of the Italian law "TULPS". (AWP) from which the differences versus the payments made by the concession holder for each machine are calculated. The aggregate amount of penalties and PREU claimed is Euro 82,101.58 (Euro 49,683.24 in penalties and Euro 32,418.34 in PREU) plus interest.

Snaitech 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.

Of all the proceedings active to date, there are only 7 pending before the Regional Tax Commission following an appeal filed by ADM against the rulings of acceptance of the motions filed by the Company.

Of the remaining cases, some were dismissed or closed, others were closed with rulings of acceptance of the motions filed by the Company *res judicata*.

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

12) 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 ADM, which report the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS" (AWP) from which the differences versus the payments made by the concession holder for each machine are calculated.

Out of the disputes still active to date, 6 are pending before the CTP following an appeal filed by the Company against the assessment notice and before the CTR following an appeal filed by the Company against the rulings rejecting the motions.

The remaining cases were closed due to statute of limitations, since the ADM has not served assessment notices following the claims.

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

13) Notices served by Regional Offices – AWP installed in excess

This relates to 171 notices served by various regional offices of ADM, in which ADM contested the installation of a number of AWPs 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. Snaitech, following evaluation of the single position, has paid in some cases the penalty in a reduced amount, while in other cases has filed defence briefs following which some claims were closed while for others a response from ADM is pending

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

14) 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, ADM required Cogetech (now Snaitech) 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 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 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 approximately 25,000.00, plus interest. The appeal was prepared, and a new hearing has to be set.

On September 25, 2014, further eight notices 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 these orders. A new hearing has to be set.

While scheduling the hearing on the merits, the ADM of Brescia sent a notice for collection of the guarantee for the amounts due. These notices were immediately suspended by the same territorial ADM that had sent them, according to the opinion expressed by ADM general management by reason of the objection in place.

15) 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 (now Snaitech) S.r.l. for the payment of Euro 293,469.45, with added 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% of 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, 3 notices were served by ADM requesting a payment of about Euro 9,000 as penalty for the late payment of the amounts due in relation to the concession agreement, pertaining to the July 2011 period. The related appeals were prepared and submitted. A new hearing has to be set. On July 13, ADM Milan asked the Company SNAITECH to pay the amounts related to the notices already served (including amounts notified to the Company) within 30 days from the date of the notice. If not, 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. While fixing the hearing on the merits, the ADM of Brescia sent a notice for collection of the guarantee for the amounts due. These notices were immediately suspended by the same territorial ADM that had sent them, according to the opinion expressed by ADM general management by reason of the objection in place.

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

16) ADM and SNAITECH S.p.A./A.GI.SCO.

On April 27, 2017 the Regional Administrative Court of Lazio notified to Snaitech the judgement dated March 29, 2017, which deemed that ADM had the authority to approve the framework agreements with A.GI.SCO, pursuant to art. 15 of the framework agreement ("Monti tender") and should have informed A.GI.SCO on whether and when it had authorised the framework agreements executed by its affiliates with Snaitech.

On June 22, 2017 the Company filed an appeal against the judgement restating that the above-mentioned agreements fall under the scope of private law. The judgement has been challenged also by ADM, which filed an appeal notified to Snaitech on June 27, 2017. The hearing to assess the requests for stay of execution was held on July 27, 2017 and subsequently the State Council, with order dated July 28, 2017, suspended the challenged judgment.

17) Payments of uncollected tickets and financial interest accrued on dedicated bank account

ADM issued a note n. 52046 on May 17, 2017 requesting concessioners to provide, by May 30, 2017, proofs of the amounts specified in the note for the period 2010 up to March 19, 2013 (related to the concessioner statements on key gaming figures already submitted for the relevant periods).

Snaitech with a note dated May 30, 2017 requested ADM to establish a negotiation table also with the other concessioners. Following the meeting, ADM issued a note n. 66912 on June 26, 2017 to provide further clarifications and extend the payment deadline up to July 15, 2017. On July 17, 2017, the Company paid Euro 1,138 thousand and has informed ADM that such payment is subject to further clarifications. Contextually, on the same date, the Company notified ADM with a motion filed before the civil court of Rome to appear on November 20, 2017 with the aim to obtain:

- First of all, the inexistence of ADM credit on winnings and the refund of payment made;
- The expiration of ADM's right to claim credits on winnings and the refund of payment made;
- Finally, the inexistence of ADM credit on wagers collected in the relevant period.

18) Judgement on merit – report n. 75605/2017 – Report n. 292/2017 before Court of Auditors of the Lazio region

ADM notified Snaitech, via note n. 73508 on July 12, 2017, with the communication issued by the chairman of the Court of Auditors of the Lazio region (along with the report n. 292/2017), which scheduled the hearing on July 27 and the deadline to file any defensive motion on July 14 (the hearing was requested, according to art. 145 and 147 of the code of judicial accounting, with the aim to identify the regional court in charge of the accounting figures for the period 2013-2014 between Lazio and Tuscany).

The Company requested a stay of execution given the short notice received on July 12, 2017.

Following the hearing of July 27, 2017, the judge acknowledged the Company stay of execution and rescheduled the hearing on November 16, 2017.

19) Sanctions related to collection of VLTs wagers before completing test of gaming platform

ADM issued a note on May 25, 2017 to sanction, according to art. 30 of concession agreement, the activity of wagers collection without having completed the suitability tests pursuant to art. 10, par. 7, let. b) of the directorial decree dated January 22, 2010. The Company paid the sanction within the deadline set by the law.

Civil lawsuits**1) Claim filed by Snaitech against: Lottomatica Scemme S.r.l.; Boss Media AB; GTECH S.p.A.; contract expert (Court of Rome)**

The judgement 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 Snaitech 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 Scemme 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 Snaitech (preliminarily determined at around Euro 10 million).

The companies that were summoned appeared before the Court in due time and objected to the claims of Snaitech.

Moreover, Lottomatica Scemme had submitted a cross-claim while asking for an assessment of the termination of the contract (occurring on March 28, 2013) through and by the fault of Snaitech, as well as the order for the latter to pay damages for around Euro 3 million, which would be incurred by Lottomatica Scemme due to alleged breaches to the contract by Snaitech, 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 for the purpose of the aforesaid illegal actions.

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

Lastly, Boss media AB had submitted a cross-claim while asking for an assessment of the termination of the software license contract, which occurred at the same time as the termination of the Snaitech/Lottomatica Scemme contract.

With judgement no. 4244/2017 of February 28, 2017, the Court of Rome: (i) rejected all petitions filed by Snaitech and by LOTTOMATICA SCOMMESSE S.R.L. (ii) sentenced Snaitech to pay to the contract expert, GTECH Sweden Interactive AB and GTECH SPA, the legal costs in the amount of € 16,500.00 in addition to general costs, VAT and CPA, pursuant to the law, for each of these parties; (iii) divided the legal fees between Snaitech and LOTTOMATICA SCOMMESSE S.R.L. and sentenced Snaitech S.P.A. to pay to LOTTOMATICA SCOMMESSE S.R.L. the remaining part of € 11,850.00 in addition to general expenses,

VAT and CPA, pursuant to the law; (iv) declared completely compensated all legal fees pertaining to the contract expert and the insurance company.

The Company is evaluating whether to file an appeal against the judgement in order to request the annulment of the part of the ruling containing the rejection of the requests submitted by Snaitech.

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

Following the sale, by Snaitech (formerly Cogetech Gaming) of the business units related to the two point of sales located in Turin, respectively in Corso Potenza and Via Barbera, the Company holding concession licenses did not fulfil the obligations set forth in the respective contracts, since they did not carry out all the activities that are necessary for the management of the sold units. Contrary to what was ex adverso claimed, Snaitech promptly made available to the transferees all administrative documents that would permit the running of the business. It therefore asked to terminate the sales contract in order to avoid the incurring of further costs.

In relation to such events, the transferring companies started two similar civil claims in order to have ensured, declared and sentenced:

(a) the breach by Snaitech regarding the individual transfers of business units;

(b) the cancellation of such transfers due to the actions and default of Snaitech;

(c) payment of damage compensation above Euro 18,000,000.00 for the premise of Corso Potenza and approximately Euro 12,600,000.00 for the premise of Via Barbera.

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

Following several hearings and the submission of the required documentation, the first judgement (against Prestige Potenza) ended with judgement no. 895/2017 of January 25, 2017 with which the Court of Milan accepted the defence of Snaitech, rejecting the request of order to pay Euro 18,000,000.00 proposed by the plaintiff and rejecting also the counter-claim by Snaitech, since erroneously considering the Company in breach, and consequently, ordering it to pay all legal fees. The Company, according to its advisors, to avoid that the first claim may have affected also the second judgement (against Prestige Barbera) as well as the related civil trial against Prestige S.r.l.s., decided to appeal the judgement on July 24, 2017.

The second judgment (against Prestige Barbera) was closed on July 7, 2017 with judgment order n. 7697/2017 issued by the Court of Milan, which accepted Snaitech appeal and rejected the payment request of Euro 12,600,000.00 as well as rejected also the request to sanction the other party of the claim. Therefore Snaitech has to refund the legal expenses previously authorised. It is currently being under analysis the opportunity to appeal against such sentence.

3) Claim against the injunction of Manilamatic Computer Games S.r.l.

The lawsuit was originated with an action promoted by Snaitech against Manilamatic for the recovery of a payable amounting to Euro 749,655.00. The injunction was contested by a counterparty submitting a writ of summons with which it requested, inter alia, the cancellation or revocation of the injunction since it was unfounded, in facts and in law, going beyond the order to Snaitech to pay the balance to Manilamatic in the amount of Euro 1,382,062.39 (in addition to interest) to be used to offset the receivable to be paid by Manilamatic, in addition to the compensation for reputation damage for Euro 800,000.00, both through the non-recognition of the contract emoluments and given the unjustified withdrawal by Snaitech.

Snaitech appeared before the Court according to the law pleading the lack of grounds, in fact and in law, of the contested claims.

The lawsuit proceeded, the texts were excused and a technical and accounting expert, appointed by the Court, is under way. The parties are in contact for reaching an out of court settlement.

4) Ainvest Private Equity S.r.l./Snaitech

By a writ of summons served on March 14, 2012, Ainvest Private Equity S.r.l. summoned Snaitech to appear before the Court of Lucca, which was petitioned to order Snaitech to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. Snaitech appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless. 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 07, 2013 who postponed the hearing until October 11, 2013.

The lawsuit proceeded and after the appointment of an expert by the Court (for the translation of the documents produced by the counterparty) and the excussion of the texts, the Judge adjourned the civil proceedings to July 19, 2017. The hearing was rescheduled on December 6, 2017 and set the deadline to file any final memo on November 20, 2017.

Based on the opinions of the legal advisers, the Directors estimated as more than likely that the Company will lose the case even if they have confirmed their interest in representing effectively the arguments of the Company at any Court level, deeming them as prevailing.

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

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

To this purpose, it should be noted that, following the event, no. 99 proceedings were initiated (including mediation procedures) of which, at June 30, 2017, more than 50% were concluded with favourable judgements (some of them *res judicata*), that have recognised the non-existence of the Jackpot win of the day April 16, 2012, with a settlement, because of inactivity of the players who have not appealed the judgement or have not resubmitted the judgement before the jurisdictionally competent judge.

On June 30, 2017, 35 proceedings were pending.

In addition to the above, it should be noted that, subsequent to June 30, 2017 and until the date of these Notes to the Financial Statements, some proceedings were concluded with settlement agreements or with a judgement favourable to Snaitech.

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

In light of the legal advice received and the favourable judgements - 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 no longer possible.

6) Claims on anomalies, October 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-line through the website www.snaitech.it and on the physical network.

SNAI promptly informed 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.

Out of the previous proceedings, to date only 1 case is still pending with the Appeal Court of Bologna following the filing of an appeal of the order to accept the defences of Snaitech, pursuant to art. 702 of the Civil Code by the Court of Rimini. Snaitech appeared, within the legal terms, and stated the unfounded claims against it and the lawsuit was postponed to May 19, 2020.

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

7) FILEFLOW s.a.s. of Testa Tatiana

Civil lawsuit started by Fileflow s.a.s. against Snaitech before the Court of Lucca in order to obtain compensation for damage, quantified in Euro 620,481.82, due to the default of SNAI as regards the requested transfer of the sports game premise managed by the plaintiff company. The lawsuit was reviewed and adjourned to be presented at the hearing of January 26, 2018.

The assessment of a risk with unfavourable outcome is deemed, to date, possible.

8) Acilia Games S.r.l. and other operators

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

- (a) assessing that managers are not bound to pay the share of remuneration as per the 2015 Stability Law to the extent indicated by the concession holders;
- (b) assessing that the concession holders carried out illegal actions resulting from anti-competitive agreements and/or abuse of a dominant market position and/or abuse of economic dependence and/or abuse of right. To this purpose, stopping the concession holders to perform such actions under penalty of payment of Euro 10,000 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, the 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 Proceedings.

Both companies appeared in Court for the first hearing scheduled on May 9, 2016. The plaintiffs submitted notes aimed at partially modifying the requirements submitted in the introductory claim, re-tuning them based on the interpretation contained in 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, both companies objected to 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 decision of all preliminary issues and granted the concession holders with twenty days to draw up counter-claims related to the notices filed 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. Upon lifting the reservation stated at the hearing of December 5, 2016, the Judge rejected the requests for preliminary investigations submitted by the plaintiff counterparties deeming them - as inferred by both companies - totally non pertinent to the disputed matter. After evaluating as not necessary any preliminary investigation, the Judge adjourned setting the hearing for March 27, 2018 for the clarifications of the conclusions.

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.

9) R.A. Elettronica (Manager)

These are proceedings that started in July 2016 against SNAI and Cogetech and therefore still pending before the Courts of Lucca and Milan, by the company R.A. Elettronica in order to obtain:

- i. The assessment and the declaration that all the amounts requested by the above companies are not due;
- ii. The assessment and the declaration of the absence of any breach by R.A. Elettronica of its contract obligations and regulations in force and, in particular, to provisions set forth in Art. 1, par. 649 of Law no. 190/2014 and Art. 1, par. 920 and 921 of Law no. 208/2015;
- iii. Sentencing the appearing companies to repay any amount unduly received or to be received as reduction of premiums and remunerations, pursuant to articles 649, Law 190/2014 and 1, par. 920 and 921 of Law no. 208/2015, in addition to interest and revaluation.

At the first hearing, where the companies insisted on the acceptance of the exception for lack of jurisdiction, and, secondarily, the issuing of an order, ex article 186 of the Civil Code, to R.A. Elettronica:

- a) The Judge of the Court of Lucca who has requested information also concerning the current situation of the Regional Administrative Court judgements and about the judgement by the Constitutional Court, also keeping into account that the hearing before the latter has not been scheduled yet, has adjourned the case for the clarification of the conclusions to a hearing scheduled for March 16, 2018.
- b) The Judge of Milan has instead deemed as:
 - i) not necessary to adopt any measure about which it would have no jurisdiction, given that the question of constitutional legitimacy of the legislative and regulatory provisions of which the claimant asks for the non-application has already been submitted to the Constitutional Court;
 - ii) that the amount requested, based on the above, is due by SNAI S.p.A. also in consideration of the fact that the same is not subject to the objections other than those filed by the claimant, versus the one already stated as regards the unconstitutionality of the reference regulations;

- iii) judged the requested injunction although believing appropriate not to make it provisionally enforceable pending the judgement of the Constitutional Court;
- iv) adjourned the case to the hearing of October 10, 2017 for the admission of the preliminary claims, assigning to the parties the terms ex article 183, sixth paragraph, of the Code of Civil Proceedings.

10) ZENIT 2012 S.r.l.

With a writ of summons, the company ZENIT requested Snaitech and Intralot Gaming Machine to appear before the Court of Florence, stating an alleged breach, by the defendant companies, of the obligations arising from the current concession agreement and requesting the issuing of a court order for a joint payment of approximately Euro 650,000.00. The hearing initially scheduled on July 24, 2017 has been rescheduled on September 20, 2017. Snaitech shall appear in compliance with the law, pleading the lack of grounds in fact and in law of the opposing claims. In the opinion of the legal advisers, the risk of an unfavourable outcome can be considered as merely possible.

11) Cecca Celestina

This civil lawsuit was started pursuant to article 702-bis of the Code of Civil Proceedings by Cecca Celestina, before the Court of Lucca, requesting the assessment of a breach, committed by Snaitech, of the restrictions set forth in a competition agreement (in terms of the distance among gaming points) executed jointly with an agreement on the provision of connectivity, and the consequent sentencing to the payment of Euro 360,000.00 as the penalty set forth in the case of a breach of the agreement. SNAI appeared in court stating to have complied with the distances requirements set out in the agreement. The Court ordered the appointment of an expert and the hearing was adjourned to June 9, 2017, when the expert was appointed. The hearing was rescheduled on November 17, 2017.

The assessment of risk of an unfavourable outcome, currently, i.e. not having available reliable data on the distances among the game premises, is possible.

12) Agenzia ippica di Benito Monti e C. S.n.C. under bankruptcy proceedings

With an appeal pursuant to ex article 702 bis of the Code of Civil Proceedings, this Company requested Benito Montu & C Snc, under bankruptcy proceedings, to ascertain its right about the restitution of Euro 399,133.36 plus interests; this amount was assigned to Snaitech following garnishment of assets by third parties to SNAI Servizi. Snaitech appeared before the Court within the required term challenging the adverse claims. At the first instance of the hearing on March 23, 2017, based on the ever-changing case law, the Judge invited the parties to settle out of court with a payment by Snaitech of Euro 80,000.00 adjourning to the hearing of May 29, 2017 for the attempt of reconciliation pursuant to ex article 185 of the Code of Civil Proceedings. The Company accepted the proposal of the Judge and has requested the adviser to proceed with the settlement. On the hearing held on May 29, the defence obtained the rescheduling on July 10, 2017 in order to assess the settlement agreement proposed by the court for an amount not lower than Euro 100,000. The Company has agreed, through its advisor, to pay such amount.

30 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

Other non-current liabilities are broken down as follows:

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Other non-current liabilities			
<i>Tax liabilities</i>			
- Instalments on flat-rate tax	0	139	(139)
- Liabilities from tax assessment report	2,068	0	2,068
- 770 notice issued from tax authority	326	367	(41)
	2,394	506	1,888
<i>Due to social security institutions</i>			
- To INPS (instalments)	224	339	(115)
	224	339	(115)
<i>Other liabilities</i>			
- Deferral of PREU from prior years	0	371	(371)
- Security deposits	3,075	3,075	0
	3,075	3,446	(371)
Total other non-current liabilities	5,693	4,291	1,402

Other current liabilities are composed as follows:

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016	Change
Other current liabilities			
<i>Tax liabilities</i>			
- VAT	1,243	1,250	(7)
- Flat-rate tax	19,802	3,621	16,181
- Instalments on flat-rate tax	147	144	3
- Instalments on tax assessment notice	752	0	752
- 770 notice issued from tax authority	184	177	7
- Other tax liabilities	1,197	1,625	(428)
	23,325	6,817	16,508
<i>Due to social security institutions</i>			
- Social security institutions	3,920	4,214	(294)
- Social security institutions - instalments	153	77	76
	4,073	4,291	(218)
<i>Other liabilities</i>			
- Due to ADM and related to balance due on PREU	38,113	49,161	(11,048)
- Due to ADM for related security deposit on Gaming Machines	5,655	6,495	(840)
- Deferral of PREU from prior years	776	791	(15)
- Due to winners and VLT jackpot reserve	14,710	14,649	61
- VLT expired tickets	241	201	40
- Due to ADM and related to concession fees	3,386	3,915	(529)
- Due to players for ante post bets	1,225	2,474	(1,249)
- Due to players for winnings/refunds on betting/IPN/CPS	1,743	3,630	(1,887)
- Due to ADM and related to balance due on horseracing	733	902	(169)
- Due to ADM for expired tickets	333	350	(17)
- Due to ADM and related to CPS/IPN	775	1,076	(301)
- Balance of Snaitech gaming cards	7,663	7,631	32
- Due to players for Online Games (Skill/Casino/Bingo)	73	91	(18)
- Due to players for winnings on Virtual Events	177	210	(33)
- Due to ADM	22,886	21,767	1,119
- Due to employees and partners	9,781	6,725	3,056
- Due to acquisition of business unit	560	0	560
- Due to Directors	301	200	101
- due to Statutory Auditors	184	204	(20)
- On restricted deposits	10,256	10,330	(74)
- Due to Teseo S.r.l. in liquidation	298	383	(85)
- Due to Parent Company	144	4	140
- Due to others	6,574	7,143	(569)
	126,587	138,332	(11,745)
<i>Accrued liabilities and deferred income</i>			
- Accrued expenses	1,608	915	693
- Deferred income	907	747	160
	2,515	1,662	853
Total Other current liabilities	156,500	151,102	5,398

Liabilities arising from the tax assessment report totalled Euro 2,820 thousand (already included in the provision for risks and charges for 2016), of which Euro 2,068 thousand due after one year and Euro 752 thousand due within one year, and relates the amounts assessed for 2011, 2012 and 2013. On April 7, 2017, the settlement agreements for the years 2011-12-13 were executed for a total amount of Euro 3,008 thousand, including interests and without penalties due objective vagueness of the law. The related amount was deferred into 16 quarterly instalments as allowed by the tax law.

Liabilities related to the deferred flat-rate tax amounts to Euro 147 thousand and comprise residual fines and interest associated with the late payment of the flat-rate tax for the fiscal periods 2009 and 2010.

Liabilities related to the 770 notice issued from tax authority, totalling Euro 510 thousand, including Euro 326 thousand due after one year and Euro 184 thousand due within one year, were related to tax assessments performed by tax authority on tax returns filed (through 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 being paid regularly.

Liabilities due to social security institutions amount to Euro 377 thousand and relate to preferential amounts. The Company has to receive the payment schedules yet.

Debt to ADM related to balance on PREU total Euro 38,113 thousand and is determined on volumes recorded with Gaming Machines.

Deferral of PREU from prior years amounts to Euro 776 thousand and relates to interest and fines associated with the late payment of PREU for 2010.

The increase of the flat-rate tax relates to the payment due on Betting business, introduced with the "Mille proroghe" law decree. The flat-rate tax on bets on horse racing and 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-November and for December, respectively, as well as on August 31 and November 30, with reference to the flat-rate tax due for the January-April and May-August periods, respectively.

Other liabilities due to ADM, totalling Euro 22,886 thousand, relate to certain payments, initially offset with credits (acquired or original) arising from the Di Majo award. On November 21, 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations were cancelled for Euro 21,581 thousand. When ADM requires the payment, Sanitech will be entitled to dispose of the amounts on the escrow accounts jointly with Agisco. For further details, see Note 21. Additionally, the item includes also amounts related to VLT winning tickets past due, which were issued between October 2010 and March 19, 2013. Following the ADM request, received in the second quarter, an amount of Euro 1,138 thousand was accounted for.

Liabilities arising from purchasing of business unit amount to Euro 560 thousand and relate to relevant transaction executed with Effebi S.r.l. (for further information please see Note 4 "Business combination").

Accrued expenses of Euro 1,608 thousand include additional monthly salaries and related social security payments.

Deferred income totals Euro 907 thousand, of which Euro 681 thousand related to payment due to MIPAAF (former ASSI) investment fund.

31 TRADE PAYBLES

The trade payables are composed as follows:

<i>Figures in thousand/Euro</i>	As of		Change
	As of June 30, 2017	December 31, 2016	
Trade payables			
- To suppliers	35,140	32,798	2,342
- To stables, jockeys and bookmakers	50	55	(5)
- To foreign-based suppliers	1,681	1,952	(271)
- Credit memorandum to be received	(406)	(475)	69
Total trade payables	36,465	34,330	2,135

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.

Current liabilities	Balance as of June 30, 2017	of which due on June 30, 2017
Financial liabilities	6,200	-
Trade payables	36,465	5,759
Tax payables	23,325	-
Due to social security institutions	4,073	-
Other liabilities	126,587	-
	196,650	5,759

Figures in thousand/Euro

As of 30 June 2017 the amounts past due are Euro 5,759 thousand and relate to trade payables to suppliers of products and services; such amounts were mainly repaid after 30 June 2017. In certain cases, new payment dates have been agreed. To the present date, there is no claim raised by suppliers.

33 GUARANTEES

In addition to the Financial Liabilities described in Note 28, the Group entered into several bank guarantees for a total amount of Euro 203,998 thousand as of June 30, 2017 (Euro 196,115 thousand as of December 31, 2016).

The following table shows any changes occurred in the guarantees values disclosed in the financial statements as of December 31, 2016:

Bank	Beneficiary	Purpose	Increase/(Decrease) as of June 30, 2017 (000/ Euro)
Unicredit	AAMS (Customs and Monopoly Agency)	Set up and functioning of the gaming machines network	(6,000)
Banco BPM	Tax Authority of Milan	VAT reimbursement for 2016	67
Banca Popolare dell'Emilia Romagna	TIM/Ifi italia	TIM's mobile top-ups agreement	(500)
Banco BPM	TIM/Ifi Italia	TIM's mobile top-ups agreement	(400)
Banco BPM	TIM/Ifi Italia	TIM's mobile top-ups agreement	(150)
Unicredit	Ministry of agriculture	Montecatini horse racing tracks management	(27)
Unicredit	Ministry of agriculture	San Siro horse racing tracks management	(96)
UBI Banca	Benefid Fiduciaria	Network agreement for on-line poker	(30)
Unicredit	AAMS (Customs and Monopoly Agency)	Timely payment of PREU, concessions fees and security deposit	15,174
Unicredit	Lottomatica	Scratch and Win distribution agreement	(50)
Banco BPM	AAMS (Customs and Monopoly Agency)	Online concession	(118)
UBI Banca	S.I.L. Società immobiliare Lombarda	Rental of Montecchio Maggiore	12
Total			7,883

34 RELATED PARTY TRANSACTIONS

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

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

Certain undertakings of Snaitech Group have relationships with Banca Monte dei Paschi di Siena S.p.A., Intesa San Paolo S.p.A., Poste Italiane, Unicredit S.p.A. and Banco BPM S.p.A, all of them potentially classifiable as related parties. However, such transactions were executed in the course of regular business, in the only interest of the Group and settled at market conditions.

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

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

<i>Figures in thousand/Euro</i>	As of June		As of December	
	30, 2017	% Impact	31, 2016	% Impact
Trade Receivables				
- From companies related to directors of Snaitech S.p.A.	-	0.00%	1	0.00%
- From Global Games S.p.A.	8	0.01%	4	0.00%
	8	0.01%	5	0.00%
Other Current Assets				
- From Teseo S.r.l. in liquidation	-	0.00%	170	0.32%
	-	0.00%	170	0.32%
Total Assets	8	0.01%	175	0.32%
Trade Payables				
- To undertakings related to directors of Snaitech S.p.A.	350	0.96%	323	0.94%
- To undertakings related to statutory auditors of Snaitech S.p.A.	15	0.04%	-	0.00%
- To undertakings related to shareholders of Snaitech S.p.A.	-	0.00%	(1)	0.00%
	365	1.00%	322	0.94%
Other Current Liabilities				
- To undertakings related to directors of Snaitech S.p.A.	90	0.06%	4	0.00%
- To undertakings related to shareholders of Snaitech S.p.A.	54	0.03%	-	0.00%
- To Teseo S.r.l. in liquidation	297	0.19%	383	0.25%
	441	0.28%	387	0.25%
Total Liabilities	806	0.10%	709	0.09%

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

First six months of 2017

<i>Figures in thousand/Euro</i>	1H 2017	% Impact	1H 2016	% Impact
Revenues from Services and Chargebacks	38	0.01%	2	0.00%
- From undertakings related to directors of Snaitech S.p.A.	38	0.01%	2	0.00%
Other Revenues				
- From Global Games S.p.A.	4	0.25%	2	0.04%
	4	0.25%	2	0.04%
Total Revenues	42	0.01%	4	0.00%
Costs for Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	2	0.00%	4	0.00%
- From undertakings related to shareholders of Snaitech S.p.A.	1	0.00%	-	0.00%
- From undertakings related to statutory auditors of Snaitech S.p.A.	16	0.00%	-	0.00%
- From directors of Teleippica S.r.l.	-	0.00%	27	0.01%
- From directors and undertakings related to Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	0.00%	45	0.01%
- From Statutory Auditors of Cogetech Gaming S.r.l. (now Snaitech S.p.A.)	-	0.00%	17	0.01%
	19	0.00%	93	0.03%
Other Operating Costs				
- From undertakings related to directors of Snaitech S.p.A.	6	0.02%	6	0.02%
- From iZilove Foundation	-	0.00%	-	0.00%
	6	0.02%	6	0.02%
Total Costs	25	0.01%	99	0.03%

Second quarter of 2017

<i>Figures in thousand/Euro</i>	2Q 2017*	% Impact	2Q 2016*	% Impact
Revenues from Services and Chargebacks	23	0.01%	-	0.00%
- From undertakings related to directors of Snaitech S.p.A.	23	0.01%	-	0.00%
Other Revenues				
- From Global Games S.p.A.	3	0.64%	1	0.03%
	3	0.64%	1	0.03%
Total Revenues	26	0.01%	1	0.00%
Costs for Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	1	0.00%	2	0.00%
- From undertakings related to statutory auditors of Snaitech S.p.A.	16	0.01%	-	0.00%
- From directors of Teleippica S.r.l.	-	0.00%	6	0.00%
- From directors and undertakings related to Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	0.00%	6	0.00%
- From Statutory Auditors of Cogetech Gaming S.r.l. (now Snaitech S.p.A.)	-	0.00%	9	0.01%
	17	0.01%	23	0.01%
Other Operating Costs				
- From undertakings related to directors of Snaitech S.p.A.	3	0.02%	3	0.02%
	3	0.02%	3	0.02%
Total Costs	20	0.01%	26	0.01%

(*) Unaudited

In the first six months of 2017, revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.08% (vs. 0.01% in the first half of 2016) while total revenues weighted on Profit (Loss) by 2.06% (vs. 1.1% in the first half of 2016).

In the first six months of 2017, cost of raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 0.05% (vs. 0.16% in the first half 2016) while total costs weighted on Profit (loss) by 1.23% (vs. 25% in the first half 2016).

In the first six months of 2017, remuneration to executives with strategic roles was Euro 510 thousands, of which Euro 310 thousand related to base salary, Euro 100 thousand to the Chief Executive Officer and Euro 100 thousand related to extraordinary bonus.

As required by Consob's note n. 10084105 of October 13, 2010, the following table shows presents a summary of transactions between the parent company Snaitech S.p.A. and related parties:

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016
Trade Receivables		
- From Global Games S.p.A.	8	4
- From Società Trenno S.r.l.	308	207
- From SNAI Rete Italia S.r.l.	(270)	(44)
- From Teleippica S.r.l.	45	65
Total Trade Receivables	91	232
Other Current Assets		
- From Teleippica S.r.l.	2,506	2,380
- From SNAI Rete Italia S.r.l.	10	18
- From Teseo S.r.l. in liquidation	-	170
Total Other Current Assets	2,516	2,568
Current Financial Receivables		
- From Società Trenno S.r.l.	8,426	5,859
- From SNAI Rete Italia S.r.l.	4,245	3,733
Total Current Financial receivables	12,671	9,592
Total Assets	15,278	12,392
Trade Payables		
- To undertakings related to directors	350	323
- To undertakings related to statutory auditors	12	-
- To Società Trenno S.r.l.	90	134
- To SNAI Rete Italia S.r.l.	32	97
- To Teleippica S.r.l.	302	212
- To undertakings related to shareholders	-	(1)
Total Trade Payables	786	765
Other Current Liabilities		
- To undertakings related to directors	90	-
- To Società Trenno S.r.l.	7,448	7,256
- To SNAI Rete Italia S.r.l.	3,741	3,306
- To Teleippica S.r.l.	1	23
- To Teseo S.r.l.	297	383
- To undertakings related to shareholders	54	4
Total Other Current Liabilities	11,631	10,972
Current Financial Payables		
- To Teleippica S.r.l.	13,505	12,533
Total Current Financial Payables	13,505	12,533
Total Liabilities	25,922	24,270

<i>Figures in thousand/Euro</i>	1H 2017	1H 2016
Revenues from Services and Chargebacks		
- From undertakings related to directors	38	2
- From Società Trenno S.r.l.	132	140
- From SNAI Rete Italia S.r.l.	42	68
- From Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	5
- From Cogetech S.p.A. (now Snaitech S.p.A.)	-	49
Total Revenues from Services and Chargebacks	212	264
Other Revenues		
- From Global Games S.p.A.	4	2
- From Società Trenno S.r.l.	322	259
- From SNAI Rete Italia S.r.l.	63	12
- From Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	1
- From Cogetech S.p.A. (now Snaitech S.p.A.)	-	181
- From Cogetech Gaming S.r.l. (now Snaitech S.p.A.)	-	4
- From Azzurro Gaming S.p.A. (now Snaitech S.p.A.)	-	1
- From Cogemat S.p.A. (now Snaitech S.p.A.)	-	1
- From Teleippica S.r.l.	182	272
Total Other Revenues	571	733
Interest Income		
- From Società Trenno S.r.l.	213	309
- From SNAI Rete Italia S.r.l.	131	94
- From Cogetech S.p.A. (now Snaitech S.p.A.)	-	4,222
- From Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	2
Total Interest Income	344	4,627
Total Revenues	1,127	5,624
Costs for Services and Chargebacks		
- From undertakings related to directors	2	5
- From Società Trenno S.r.l.	135	188
- From Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	743
- From SNAI Rete Italia S.r.l.	4,539	4,922
- From Teleippica S.r.l.	1,267	1,595
- From Cogetech S.p.A. (now Snaitech S.p.A.)	-	9
- From undertakings related to statutory auditors	16	-
Total Costs for Services and Chargebacks	5,959	7,462
Costs of Seconded Personnel		
- From Cogetech S.p.A. (now Snaitech S.p.A.)	-	678
Total Costs of Seconded Personnel	-	678
Other Operating Costs		
- From undertakings related to directors	6	6
- From iZilove Foundation	15	-
- From Società Trenno S.r.l.	-	1
Total Other Operating Costs	21	7
Interest Costs and Fees		
- Interest costs to SNAI Rete Italia S.r.l.	-	14
- Interest costs to Teleippica S.r.l.	368	449
Total Costs and Fees	368	463
Total Costs	6,348	8,610

35 FINANCIAL RISK MANAGEMENT

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

On 24th October 2016, the Board of Directors of Snaitech S.p.A. has approved the refinancing of its existing bonds ("Existing Bonds" which includes senior secured notes of Euro 320 million due in 2018, subordinated notes of Euro 160 million due in 2018 and senior secured notes of Euro 110 million due in 2018) through the issuance of a new senior secured bond of Euro 570 million due in 2021 ("New Bonds") and the contextual tender offer to repurchase the Existing Bonds ("Tender Offer"). In the same session, the Board of Director has also approved a new senior revolving facility up to Euro 85 million ("New Revolving Facility") to substitute the existing facility of Euro 55 million.

The New Bonds, which represent the financial indebtedness of the Snaitech Group as of June 30, 2017, are secured (as well as the New Revolving Facility) on a first-ranking basis by (i) a pledge over 50.00% plus one share of the share capital of the Snaitech S.p.A., (provided by Global Games S.p.A.) (ii) a pledge over 100.00% of the quotas of Teleippica S.r.l. (provided by Snaitech S.p.A.) and (iii) a pledge over certain intellectual property rights owned by Snaitech S.p.A..

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

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

Financial derivatives

As of June 30, 2017, the Snaitech Group has no derivative instruments outstanding.

Liquidity Risk

Liquidity risk is defined as the possibility that the Snaitech Group would be unable to settle its payment obligations as a result of the inability to obtain new funding (funding liquidity risk), to sell its own assets (asset liquidity risk), or to incur higher funding costs. The Snaitech Group's exposure to such risk is linked primarily to the commitments of new bonds issued in 2016 and the New Revolving Facility, undrawn as of June 30, 2017.

Interest rate risk

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

The Snaitech Group, on June 30, 2017, is only partially exposed to interest rate risk arising from the coupons of floating rate bond, linked to three-month Euribor (floored at 0%), as well as from the bank loan with a variable interest rate linked to three-month Euribor. Interest rate risk management objective is to hedge the Snaitech Group's financial income and expenses from possible changes in market rates, by monitoring rates volatility as well as balancing the risk-return profile of financial assets and liabilities.

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

Credit risk

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

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

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

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

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

In relation to the above-mentioned receivables, the maximum exposure to credit risk, without taking into account any guarantee or other credit risk mitigants, is represented by fair value. The risk related to other financial assets of the Group is in line with market conditions.

Exchange rate risk

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

Capital management

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

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

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

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016
Interest-bearing loans	565,452	563,216
Non-interest-bearing loans	32	32
Financial liabilities	565,484	563,248
Trade payables and other liabilities	198,658	189,723
Financial assets	(19,016)	(18,867)
Cash and cash equivalents	(134,025)	(82,337)
Net indebtedness	611,101	651,767
Shareholders' equity	120,729	118,510
Total shareholders' equity	120,729	118,510
Shareholders' equity and net indebtedness	731,830	770,277
Ratio net indebtedness/(shareholders' equity and net indebtedness)	83.5%	84.6%

36 NON-RECURRING INCOME AND COSTS

The table below presents the summary of non-recurrent income and cost accounted for in the first half of 2017, pursuant to Consob Resolution No. 15519 of July 27, 2006, (which defines such items as “positive and/or negative items of Statement of Income arising from non-recurring events or operations occurred out of the ordinary course of business”).

A breakdown of non-recurring income and costs is shown below:

<i>Figures in thousand/Euro</i>	First half of 2017	First half of 2016
Other revenues and income	867	3,112
Costs of services and third party assets	636	(1,264)
Cost of personnel	(63)	(627)
Other operating costs	(1,386)	(2,580)
Other costs	(455)	0
Total	(401)	(1,359)

The negative value of Euro 401 thousand accounted in the first half of 2017 is mainly due to the following items:

- Euro 867 thousand from Other revenues and income, of which Euro +362 thousand related to Income from lawsuit and Euro +505 thousand from sale of business units;
- Euro 636 thousand for Cost of services and third party assets, of which Euro +1,082 thousand related to non-deductible VAT from prior years and Euro -446 thousand for advisory on non-recurring corporate transactions and other events;
- Euro -63 thousand for Cost of personnel related to voluntary redundancy schemes;
- Euro -1,386 thousand for Other operating costs, of which Euro -1,138 thousand related to ADM request on past due VLT winning tickets for the periods between 2010 to March 19, 2013, Euro -224 thousand for costs related to the aforementioned Income from lawsuit and Euro -24 thousand for capital loss from transfer of business units;
- Euro -455 thousand for Other costs related to deferred expenses forecasted for the corporate restructuring of the undertaking Società Trenno S.r.l..

37 ATYPICAL/UNUSUAL TRANSACTIONS

No atypical and/or unusual transactions were recorded in the first half of 2017.

38 GROUP STRUCTURE

Ownership of the Group

Snaitech S.p.A., as parent Company, is subject to the legal control of Global Games S.p.A.

Relevant ownership of subsidiaries share capital

	Percentage of ownership		
	As of June 30, 2017	As of December 31, 2016	As of June 30, 2016
Società Trenno S.r.l.	100	100	100
Teleippica S.r.l.	100	100	100
SNAI Rete Italia S.r.l.	100	100	100
Fondazione iZilove Fondation	100	100	100
Finscom S.r.l.	0	0	100
Cogemat S.p.A.	0	0	100
Cogetech S.p.A.	0	0	100
Cogetech Gaming S.p.A.	0	0	100
Azzurro Gaming S.p.A.	0	0	100

The Group structure and the basis of consolidation 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 from CESR of February 10, 2005, "CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Snaitech Group's net financial position is set forth in the following table:

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016
A. Cash	883	1,226
B. Other cash equivalents	133,142	81,111
- Bank accounts	131,259	79,095
- Postal accounts	1,883	2,016
C. Securities held for trading	1	1
D. Liquidity (A)+(B)+(C)	134,026	82,338
E. Current financial assets	0	0
F. Current bank debts	137	141
G. Current portion of non-current indebtedness	475	0
H. Other current financial debt:	5,588	5,693
- For interest on bonds	5,311	5,352
- Due to other lenders	277	341
I. Current financial indebtedness (F)+(G)+(H)	6,200	5,834
J. Net current financial indebtedness (I)-(E)-(D)	(127,826)	(76,504)
K. Non-current bank loans	936	0
L. Bonds issued	558,128	557,115
M. Other non-current loans:	220	299
- Due to other lenders	220	299
N. Non-current financial indebtedness (K)+(L)+(M)	559,284	557,414
O. Net financial indebtedness (J)+(N)	431,458	480,910

Net financial position does not include restricted bank accounts and deposits of Euro 16,778 thousand (included in the item "Current financial assets"), the dedicated bank account of Euro 39 thousand and other non-current financial assets of Euro 2,198 thousand (see Note 22).

The net financial indebtedness decreased by Euro 49,452 thousand compared to the level as of December 31, 2016. Such decrease is for the most part due to the increase in cash and cash equivalents by Euro 51,688 thousand, caused by the refund of Euro 37,117 of security deposit related to Gaming Machines and by net working capital movements. Conversely, the gross financial indebtedness (current and non-current) increased by Euro 2,236 thousand due to the amortised cost method applied to bonds and the new bank loan of Euro 1,450 thousand.

As required by CONSOB's notice ref. 10084105 of October 13, 2010, the following table shows the Parent Company Snaitech S.p.A.'s net financial position.

<i>Figures in thousand/Euro</i>	As of June 30, 2017	As of December 31, 2016
A. Cash	321	368
B. Other cash equivalents	130,604	77,029
- Bank accounts	128,721	75,014
- Postal accounts	1,883	2,015
C. Securities held for trading	1	1
D. Liquidity (A)+(B)+(C)	130,926	77,398
E. Current financial assets	12,671	9,592
- Financial account with associates	12,671	9,592
F. Current bank debts	134	136
G. Current portion of non-current indebtedness	475	0
H. Other current financial debt:	19,093	18,227
- For interest on bonds	5,311	5,352
- Financial account with associates	13,505	12,533
- Due to other lenders	277	342
I. Current financial indebtedness (F)+(G)+(H)	19,702	18,363
J. Net current financial indebtedness (I)-(E)-(D)	(123,895)	(68,627)
K. Non-current bank loans	936	0
L. Bonds issued	558,128	557,115
M. Other non-current loans:	220	299
- Due to other lenders	220	299
N. Non-current financial indebtedness (K)+(L)+(M)	559,284	557,414
O. Net financial indebtedness (J)+(N)	435,389	488,787

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

39.1 Covenants

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

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

Snaitech S.p.A., according to the Senior Revolving credit facility, undertook to provide a Compliance Certificate, on a quarterly basis, confirming the absence of events of default in the relevant period.

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

40 FINANCIAL INSTRUMENTS AND FAIR VALUE

The following table shows a comparison between the carrying values and fair value of all categories of the Group's financial instruments and other Group assets and liabilities, as well as a breakdown based on the categories set forth in IAS 39.

Financial assets and liabilities	Carrying amount		Fair value	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Cash	134,025	82,337	134,025	82,337
Current and non-current assets (LaR)	99,803	116,862	99,803	116,862
Current financial assets (LaR)	16,818	16,858	16,818	16,858
Non-current financial assets (LaR)	2,198	2,009	2,198	2,009
Current and non-current financial liabilities (FLAC) (*)	563,439	562,467	600,827	594,458
Current and non-current financial liabilities (leases and others)	2,045	781	2,045	781
Other Assets and Liabilities				
Other current assets (LaR)	37,428	53,326	37,428	53,326
Other non-financial non-current assets (LaR)	1,527	1,216	1,527	1,216
Sundry payables and other non-current liabilities (FLAC)	5,693	4,291	5,693	4,291
Trade payables (FLAC)	36,465	34,330	36,465	34,330
Other current liabilities (FLAC)	156,500	151,102	156,500	151,102

(*) To determine the fair value of current and non-current financial liabilities (FLAC), it has been used the relevant market value extrapolated from Bloomberg on the last trading day of the period.

IAS 39 categories key

Loans and receivables	LaR
Financial assets held to maturity	HtM
Financial assets available for sale	AfS
Financial asset/financial liabilities held for trading	FA/LHFT
Financial Liabilities at amortised cost	FLAC
Hedge derivatives	HD

Measurements at fair value of the Group financial instruments were reclassified in the 3 levels envisaged by IFRS 7. In particular, the hierarchy is as follows:

- Level 1: the financial instrument is listed in an active market;
- Level 2: the fair value is measured based on pricing techniques benchmarking instruments observable in the market, other than prices of the financial instrument itself;
- Level 3: the fair value is calculated based on pricing techniques based on parameters not observable in the market.

On June 30, 2017 and December 31, 2016, there are no financial assets and liabilities designated at fair value in the Income Statement as well as no financial assets Available-For-Sale or derivatives held for hedging purposes.

The Snaitech Group adopted internal valuation models, generally used in financial practice to determine the fair value.

In the first six months of 2017, no transfers occurred between fair value levels of the aforementioned hierarchy.

The management assessed the carrying amount of cash and short-term deposits, as well as trade receivables and payables, bank overdrafts and other current liabilities to be 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 transaction between 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 Group based on parameters including interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Following such assessment, the amount of expenses related to potential loss is determined. As of June 30, 2017, the carrying amount of these accounts receivable, net of provisions, was substantially similar to their fair value;
- The fair value of liabilities from financial leases and other non-current financial liabilities is based on future cash flows discounted with rates available for other liabilities with similar terms, such as credit risk and maturities;
- The fair value of Group's 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 the end of relevant period. Insolvency risk for the Group as of June 30, 2017 was assessed as irrelevant;
- The fair value of debt instruments issued by the Group is measured using the discounted cash flow models based on current interest rates, which the Group may bear for additional funding via similar types of loans and maturities consistent with the residual useful life of the debt instruments.

41 EVENTS AFTER THE REPORTING PERIOD

41.1 Transfer of Business Units

On July 17, 2017, the sale deeds of the shops located in Bollate and Milan (via Pastorelli) were executed in Milan before the notary Ms Elena Terrenghi. The sale deeds completions are subject to the TULPS release by the relevant authority. Details on the assets disposed are included in the deed attachment.

On July 19, 2017, the sale deed of the shop located in Fiumicino was executed in Milan before the notary Ms Elena Terrenghi. The sale deed completion is subject to the TULPS release by the relevant authority. Details on the assets disposed are included in the deed attachment.

On July 27, 2017, the sale deed of the Rome shop located in via dei Meli was executed, with immediate effect, in Milan before the notary Ms Elena Terrenghi. Details on the assets disposed are included in the deed attachment.

On August 2, 2017, the sale deed of the shop located in Bollate (Milan) was executed in Milan before the notary Ms Elena Terrenghi. The sale deed completion is subject to the TULPS release by the relevant authority. Details on the assets disposed are included in the deed attachment.

41.2 Repeal/expiry process of 27 Betting licenses

On July 5, 2017 Snaitech was notified with the motion filed by Eurobet before the Administrative Regional Court, which claimed to cancel, after having received precautionary measures according to art. 55 and 56 C.P.A., the followings: ADM decree n. 0067811 of June 27, 2017 (which suspended the licences released to Eurobet for the relevant betting point of sales (please see Note 29 – Administrative disputes, par. 3); ADM decree n. 62618 of June 14, 2017 (which suspended the withdrawal of licences held by Snaitech ordered with ADM decree n. 29427 of March 14, 2017); Circular letter of the Director of Central division of ADM n. 0062147 of June 13, 2017 and any subsequent amendments.

The Administrative Regional Court with a decree published on July 7, 2017 accepted the request of precautionary measures by scheduling the hearing on August 1, 2017. Following the hearing, the Administrative Regional Court, on August 2, 2017 rejected the request of precautionary measures.

41.3 Extraordinary Shareholders' meeting of Hippogroup Roma Capannelle S.p.A of July 10, 2017

The Shareholders' meeting held on July 10, 2017 resolved the followings:

- The conversion of the bond and subsequent extinction. The convertible bond, know as "Convertible bond 2014/2019" was approved the shareholders' meeting on February 28, 2014 for a maximum amount of Euro 1,889 thousand by issuance of 1,852 bonds with nominal value of Euro 1,020 each, convertible into ordinary shares with contextual increase of share capital of share with a nominal value of Euro 0.051 each. Following the bond issuance (April 10, 2014) the bond was underwritten only by two shareholders for a nominal value of Euro 1,184 thousand. On April 26, 2017, within the first deadline, both shareholders opted for the conversion. The Board of directors on July 4, 2017 approved the exchange, on the basis of the financial statement as of April 30, 2017 and the independent auditing firm BDO Italia S.p.A. released fairness opinion on the exchange. Both shareholders accepted the exchange. Therefore, following the conversion of the bond, the new share capital of Hippogroup Roma Capannelle amounts to Euro 1,726,105.20;

- To change the type of company registration from S.p.A. to S.r.l. with subsequent change of the corporate name as follows “Hippogroup Roma Capannele S.r.l.”.

Following the bond conversion, Snaitech S.p.A. owns a share of 15.20% equal to Euro 262,395 of the share capital of Hippogroup Roma Capannele S.r.l.. The resolutions are currently being filed with the relevant company register.

41.4 Teseo S.r.l. in liquidation – minutes of the Shareholders’ meeting held on July 31, 2017

On July 31, 2017 the Shareholders’ meeting of Teseo S.r.l., in liquidation, approved the last financial statement as of July 31, 2017 and the distribution plan, which includes the attribution of a VAT receivable for Euro 57 thousand to the sole shareholder Snaitech S.p.A. Following the approval of such distribution plan, the liquidation is terminated. Snaitech S.p.A., as sole shareholder, delegated the commissioner in charge of the liquidation process to cancel the undertaking from the company register.

Other Disclosures

The above notes supplement the information included in Schedule 1 “Composition of the Snaitech Group at June 30, 2017”.

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

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

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

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

Fabio Schiavolin
(Chief Executive Officer)

Milan, August 4, 2017

SCHEDULE 1
Composition of the SNAITECH Group as of June 30, 2017

(thousands of Euro)

Name	Head office	Share Capital	Owned percentage	Note	Type of business	Consolidation method/Valuation criteria
- SNAITECH S.p.A.	Milan (MI)	97,982		Parent Company	Acceptance of horse racing and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - skill games	Line-by-line basis
Subsidiaries:						
- Società Trenno S.r.l. held by a sole quotahold	Milan (MI)	1,932	100.00%	(1)	Organization and operation of horse races and the training centre	Line-by-line basis
- Teleippica S.r.l. held by a sole quotaholder	Porcari (LU)	2,540	100.00%	(2)	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	Milan (MI)	10	100.00%	(3)	Acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points	Line-by-line basis
- IziLove Fondation	Milan (MI)	100	100.00%	(4)	Non-profit Foundation - Social solidarity and charity	Line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	100.00%	(5)	Design and planning of betting management software systems	Shareholders' Equity
Affiliates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(6)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30.00%	(7)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	1,006	30.70%	(8)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connex S.r.l. in liquidation	Porcari (LU)	82	25.00%	(9)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
Other companies:						
- Lexorfin S.r.l.	Rome (RM)	1,500	2.44%	(10)	Financial holding company in the horse race sector	Cost

Notes on Snaitech Group composition

- (1) Wholly owned subsidiary of Snaitech 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 undertaking was incorporated on July 27, 2006 and purchased the "horserace management" business unit from Ippodromi San Siro S.p.A. on September 15, 2006.
- (2) Acquired by third parties on May 5, 2000. On October 2, 2003, the shareholders' meeting, held in extraordinary session, changed the company 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 Snaitech S.p.A. acquired 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. Snaitech S.p.A. owns 100% of the share capital of Teleippica S.r.l.
- (3) On April 3, 2015, the new undertaking SNAI Rete Italia S.r.l., 100% owned by SNAITECH S.p.A., was incorporated (with share capital of Euro 10 thousand) with the aim to acquire shareholdings in undertakings owing point of sales and then manage directly the point of sales. On October 24, 2016 (effective on November 1, 2016) Finscom S.r.l. merged by incorporation into SNAI Rete Italia S.r.l.. With a resolution of the Shareholders' Meeting on December 21, 2016 (filed in the Companies Registry on December 28, 2016) the registered office was moved from Porcari (LU) to Milan.
- (4) Indirect ownership of wholly owned subsidiary Cogetech S.p.A., acquired with the merger of the Cogemat Group on November 19, 2015.
- (5) Incorporated on November 13, 1996, and acquired by Snaitech S.p.A. on December 30, 1999. On August 3, 2001, Teseo S.r.l. went into liquidation.
- (6) 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. Share capital owned by Snaitech S.p.A.'s was unchanged at 27.78%.
- (7) A company incorporated under Luxembourg law on March 10, 2006 and owned by Snaitech S.p.A. with 30% of its share capital and FCCD Limited, a company established under Irish law, which holds 70%.
- (8) Now merged into Snaitech S.p.A. and previously owned by Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.) with 30.70% share capital.
- (9) On December 7, 2000, Connex S.r.l. shareholding was acquired via stock options purchase from former shareholders, with the subsequent subscription (and payment) of the share capital increase reserved. On February 4, 2015, the shareholders' meeting resolved to wind up the company. Under bankruptcy procedure since October 2015.
- (10) Shareholding of 2.44% acquired on July 19, 1999 by Società Trenno S.p.A., which was subsequently merged by incorporation into Snaitech S.p.A..

SNAITECH**Certification related to the Condensed Consolidated Financial Statement for the first six months of the period pursuant to article 81-ter of Consob regulation n. 11971 of May 14, 1999 and subsequent amendment and integration**

1. The undersigned, Fabio Schiavolin, as Chief Executive Officer and Managing Director of Snaitech S.p.A., and Chiaffredo Rinaudo as the executive in charge of the preparation of the accounting and corporate documentation of Snaitech 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 effective application

of the administrative and accounting procedures for the preparation of the Condensed Consolidated Financial Statement for the first six months ending on June 30, 2017.

2. In such regard, no noteworthy matters have emerged.

3. It has also been certified that:

3.1 The Condensed Consolidated Financial Statement:

- a) Is prepared 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) Corresponds to the accounting books and records;
- c) Provides a true and accurate representation of the Financial Position of the issuer as well as of the undertakings included in the basis of consolidation.

3.2 Directors' interim statement includes a reliable analysis on the performance and results of operations, as well as the financial condition of the issuer and the companies included within the consolidation perimeter, as well as a description of the main risks and uncertainties to which they are exposed. The statement include as well a reliable analysis of the relevant third party transactions.

Milan, 4 August 2017

Chief Executive Officer

(Fabio Schiavolin)

**The executive responsible for
the preparation of the corporate
and accounting documents**

(Chiaffredo Rinaudo)



*unico certificato ISO27001
non certificato OHSAS 18001

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REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
SNAITECH SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of SNAITECH SpA and its subsidiaries (the SNAITECH Group) as of 30 June 2017, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and related notes. The directors of SNAITECH SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the SNAITECH Group as of 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 4 August 2017

PricewaterhouseCoopers SpA

Signed by
Andrea Alessandri
(Partner)

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

PricewaterhouseCoopers SpA

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