



HALF-YEAR FINANCIAL STATEMENTS AS AT 30 JUNE 2014

SNAI S.p.A.

Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro 60,748,992.20 fully paid in

Tax Code 00754850154 - VAT no. 01729640464

Register of Companies in Lucca and Lucca REA no. 00754850154

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Certification of the half-yearly financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

Auditors' report on the abbreviated audit of the of the condensed financial statements for the half year

**CORPORATE BODIES
AND AUDITING FIRM OF SNAI SPA**

Board of Directors

(in office from the Shareholders' Meeting held on 26 April 2013 until the Shareholders' Meeting that will approve the financial statements for period ending 31 December 2015)

Chairman and Managing Director

Giorgio Sandi

Directors

Stefano Campoggia */***
Mara Caverni */***
Giorgio Drago
Nicola Iorio
Enrico Orsenigo
Massimo Perona
Roberto Ruozi **
Sergio Ungaro */**/***
Mauro Pisapia
Barbara Poggiali **
Chiara Palmieri
Tommaso Colzi

Executive Responsible for the preparation of the corporate and accounting documents

Marco Codella

Board of Statutory Auditors

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

*Chairman
Acting Auditors*

Maria Teresa Salerno
Massimo Gallina
Maurizio Maffeis

Auditing Firm

(Mandate granted by the Shareholders' Meeting held on 15 May 2007 for a term of 9 years)

Reconta Ernst & Young S.p.A.

* *Members of the Control and Risk Committee chaired by Stefano Campoccia.*

** *Members of the Compensation Committee chaired by Sergio Ungaro.*

*** *Members of the Compensation Committee chaired by Sergio Ungaro.*

Note:

Effective from 1 June 2014, Mr. Gabriele Del Torchio resigned from his post as director and he has not yet been co-opted by another member of the Board of Directors.

**INTERIM REPORT ON OPERATIONS
AS AT 30 JUNE 2014**

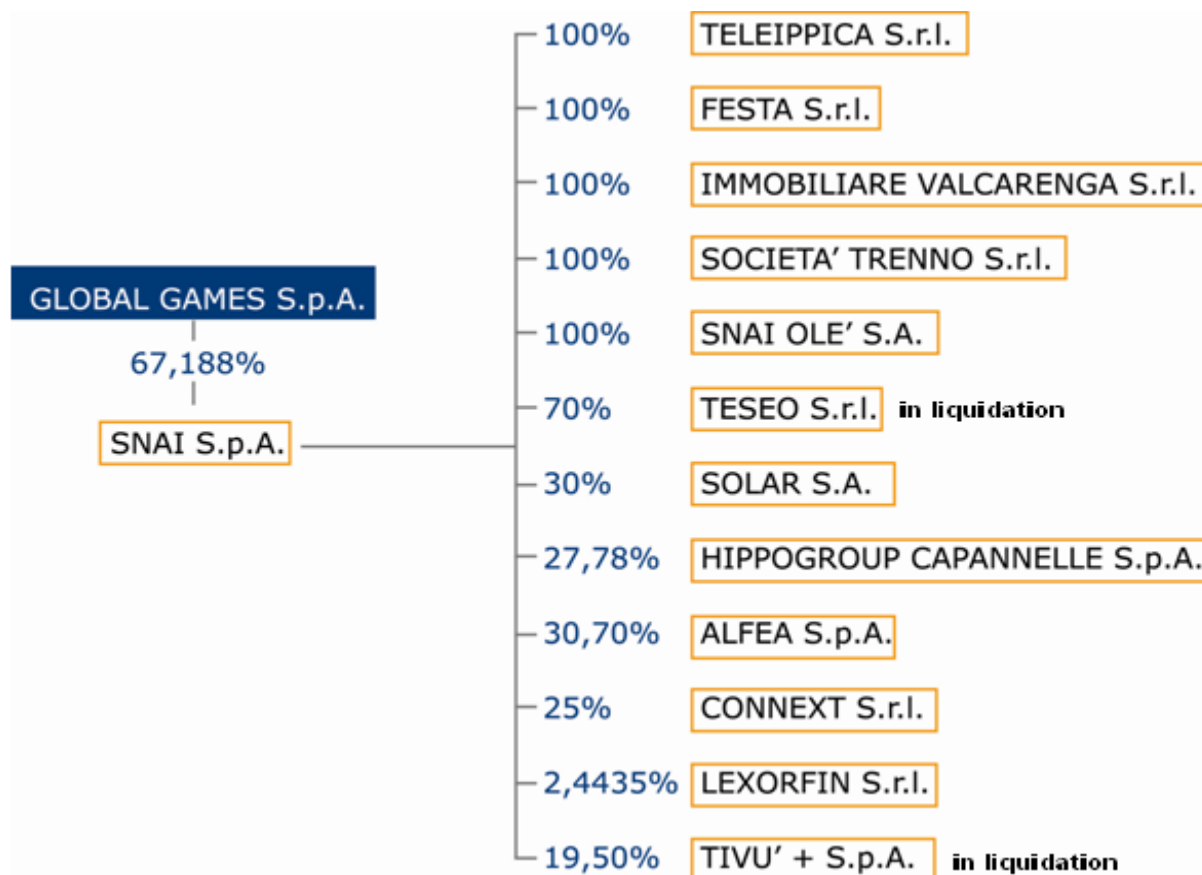
INTERIM REPORT ON OPERATIONS

A. SNAI Group

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

The Group is controlled by Global Games S.p.A. - an investee company equally owned by Global Entertainment S.A. (in turn controlled by Investindustrial IV L.P) and Global Win S.r.l. (controlled by Venice European Investment Capital S.p.A.) - which owns 67.188% of the share capital of SNAI S.p.A.

Global Games S.p.A. (as a simple holding company) does not engage in direction and coordination activities vis-à-vis SNAI S.p.A., since SNAI S.p.A. determines its own strategic objectives autonomously, with full organisational, operational and contractual autonomy.



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

The following operating and financial analysis is provided as a supplement to the financial statement and the explanatory notes and must be read in conjunction with that document.

B.1 Key indicators of the Group's performance

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

- KPIs**

| <i>amounts in thousands of Euro</i> | <i>Semester I</i> | | <i>Variations</i> | |
|-------------------------------------|-------------------|-------------|-------------------|----------|
| | <i>2014</i> | <i>2013</i> | <i>€</i> | <i>%</i> |
| Revenues | 263,691 | 252,972 | 10,719 | 4.2 |
| EBITDA | 54,787 | 49,101 | 5,686 | 11.6 |
| EBITDA Adj | 56,814 | 52,646 | 4,168 | 7.9 |
| EBIT | 23,327 | 18,072 | 5,255 | 29.1 |
| Before tax profit | (7,296) | (1,273) | (6,023) | >100 |
| Net profit | (6,972) | (4,271) | (2,701) | 63.2 |
| Diluted earnings/(loss) per share | (0.06) | (0.04) | (0.02) | 50.0 |

- EBITDA, EBITDA Adj and EBIT**

EBITDA, EBITDA Adj and EBIT are considered alternative performance indicators, but are not amounts defined on the basis of International Financial Reporting Standards ("IFRS") and may, therefore, fail to take into account the requirements of the IFRS in terms of recognition, measurement and presentation. We are of the view that EBITDA, EBITDA Adj and EBIT are helpful in explaining changes in operating performance, provide useful information on the capacity to manage indebtedness and are commonly used by analysts and investors in the gaming sector as performance indicators. EBITDA, EBITDA Adj and EBIT must not be considered as being an alternative to cash flows for the measurement of liquidity. As defined, EBITDA, EBITDA Adj EBITDA and EBIT may not be comparable with the same indicators used by other companies.

The EBIT refers to "Earnings before interest and taxes" indicated in the total income statement.

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

| <i>amounts in thousands of Euro</i> | <i>Semester I</i> | | <i>Variations</i> | |
|---|-------------------|---------------|-------------------|-------------|
| | <i>2014</i> | <i>2013</i> | <i>€</i> | <i>%</i> |
| EBIT | 23,327 | 18,072 | 5,255 | 29.1 |
| + Depreciation of tangible assets | 9,011 | 9,633 | (622) | (6.5) |
| + Amortisation of intangible assets | 20,042 | 16,185 | 3,857 | 23.8 |
| + Net losses of value | 249 | 51 | 198 | >100 |
| + Other allocations | 448 | 292 | 156 | 53.4 |
| Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes | 53,077 | 44,233 | 8,844 | 20.0 |
| + Non-recurring costs | 1,710 | 4,868 | (3,158) | (64.9) |
| EBITDA | 54,787 | 49,101 | 5,686 | 11.6 |
| + Current portion of the provision for doubtful debts | 2,027 | 3,545 | (1,518) | (42.8) |
| EBITDA Adj | 56,814 | 52,646 | 4,168 | 7.9 |

The composition of the Before tax profit is obtained by adding the following items to EBIT:

| <i>amounts in thousands of Euro</i> | <i>Semester I</i> | | <i>Variations</i> | |
|--|-------------------|----------------|-------------------|----------------|
| | <i>2014</i> | <i>2013</i> | <i>€</i> | <i>%</i> |
| EBIT | 23,327 | 18,072 | 5,255 | 29.1 |
| + Earnings of companies consolidated using the equity method | (444) | (118) | (326) | >100 |
| + Financial income | 757 | 736 | 21 | 2.9 |
| + Financial expenses | (30,933) | (19,962) | (10,971) | (55.0) |
| + Net gains (losses) on exchange rates | (3) | (1) | (2) | >100 |
| Before tax profit | (7,296) | (1,273) | (6,023) | >100 |

B.2 Non-recurring revenues and costs

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

| Non-recurring revenues and costs | SNAI Group |
|--|------------------------|
| <i>amounts in thousands of Euro</i> | Semester I 2014 |
| Non-recurring revenues and costs | |
| Costs related to non-recurring consultancies | 131 |
| Administrative Sanctions for PREU | 252 |
| Capital losses from scrapping | 939 |
| Leaving incentives | 265 |
| Other | 123 |
| Impact on EBITDA | 1,710 |

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

B.3 Economic and Financial Performance of the Group

The Group revenues for the first half of 2014 have increased by 4.2%, from Euro 253 million in the first half of 2013 to Euro 263.7 million in the same period in 2014, mainly on account of the combined effect of the increase in revenues deriving from the VLTs and the introduction of betting on virtual events, offset by the decrease in revenues from sports bets, horse racing bets and AWP bets. The revenues from the sports bets have decreased compared the same period last year due to the payout performance of 78.3% as opposed to 77.2% in the first half of 2013, in addition to the lower amount of wagers. The revenues from the VLTs have increased due to the expansion of the installed network which, as at the end of June, consisted of 4,812 certified machines throughout the country. The remaining 240 rights are currently being reallocated, as per the plan which is in place for relocation to more performing premises. The good performance was however lower than expectations both due to the delay in the availability of the reduced pay out games, as well as the updating of the platform and the machines required by ADM.

The significant impact of the introduction, at the end of December 2013, of bets on virtual events which generated turnover of Euro 182.2 million and revenues of Euro 22.1 million.

The decrease in revenues from AWP is mainly attributable to the lower number of machines by reason of the fact that a significant Operator left our network and has become a concession holder since 20 March 2013.

The EBITDA of the Group increased by + 11.6% compared to the same period last year, moving from Euro 49.1 million to Euro 54.8 million.

The non-recurring costs were of Euro 1.7 million in the first half of 2014 as compared to Euro 4.9 million in the same period last year.

Group EBIT in the first half of 2014 was Euro 23.3 million as compared to Euro 18.1 million in the same period last year.

The Group's result before taxes for the first half of 2014 was Euro -7.3 million as compared to Euro -1.3 million in the same period last year. The results were lower than last year, mainly on account of the higher depreciation and amortisation expense and financial expenses.

The net loss pertaining to the Group for the first half of 2014 was equal to Euro 7 million, as compared to a loss of Euro 4.3 million in the first half of 2013.

The net financial indebtedness of the SNAI Group as at 30 June 2014 was equal to Euro 423.3 million, as compared to Euro 443.4 million at the end of 2013. Compared to 31 December 2013, the net financial indebtedness decreased by Euro 20.1 million. The decrease is mainly due to the positive performance of the ordinary operations and the benefits generated by the extended payment of the flat tax for the first half of 2014.

B.4 Group Balance Sheet and Income Statement

SNAI Group - Comprehensive consolidated income statement

| <i>amounts in thousands of Euro</i> | Semester I 2014 | Semester I 2013 |
|---|----------------------------|----------------------------|
| Revenues from sales and services | 263,298 | 252,300 |
| Other revenue and income | 393 | 672 |
| Change in inventory of finished and semi-finished products | 0 | 1 |
| Raw materials and consumables | (636) | (868) |
| Costs for services and use of third party assets | (178,589) | (169,467) |
| Costs of personnel | (18,353) | (19,149) |
| Other operating costs | (13,486) | (19,730) |
| Capitalised internal construction costs | 450 | 474 |
| Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes | 53,077 | 44,233 |
| Amortisation and depreciation | (29,302) | (25,869) |
| Other provisions | (448) | (292) |
| Profit/(loss) before financial income/expenses, taxes | 23,327 | 18,072 |
| Gains and expenses from shareholdings | (444) | (118) |
| Financial income | 758 | 739 |
| Financial expenses | (30,937) | (19,966) |
| Total financial income and expenses | (30,623) | (19,345) |
| PROFIT/(LOSS) BEFORE TAXES | (7,296) | (1,273) |
| Income tax | 324 | (2,998) |
| Profit/(Loss) for the period | (6,972) | (4,271) |
| Total other comprehensive income which will not be restated under profit/(loss) for the period after taxes | | |
| Net (loss)/profit from derivatives as cash flow hedges | 1,062 | 2,491 |
| Total other comprehensive income which will not be restated under profit/(loss) for the period after taxes | 1,062 | 2,491 |
| Total profit/(loss) in comprehensive income statement, after taxes | 1,062 | 2,491 |
| Comprehensive Profit/(Loss) for the period | (5,910) | (1,780) |
| <i>Attributable to:</i> | | |
| Profit (loss) for the period pertaining to the Group | (6,972) | (4,271) |
| Profit (loss) for the period pertaining to Third Parties | 0 | 0 |
| Comprehensive Profit (loss) for the period pertaining to the Group | (5,910) | (1,780) |
| Comprehensive Profit (loss) for the period pertaining to Third Parties | 0 | 0 |
| Basic earnings (loss) per share in Euro | (0.06) | (0.04) |
| Diluted earnings (loss) per share in Euro | (0.06) | (0.04) |

SNAI Group - Consolidated balance sheet and financial position

| <i>amounts in thousands of Euro</i> | 30.06.2014 | 31.12.2013 |
|---|-------------------|-------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment owned | 139,271 | 143,378 |
| Assets held under financial lease | 7,374 | 9,405 |
| Total property, plant and equipment | 146,645 | 152,783 |
| Goodwill | 231,531 | 231,531 |
| Other intangible assets | 117,456 | 135,292 |
| Total intangible assets | 348,987 | 366,823 |
| Shareholdings measured using the equity method | 2,422 | 2,866 |
| Shareholdings in other companies | 46 | 46 |
| Total shareholdings | 2,468 | 2,912 |
| Deferred tax assets | 78,088 | 75,086 |
| Other non-financial assets | 2,250 | 2,413 |
| Financial Assets | 476 | 0 |
| Total non-current assets | 578,914 | 600,017 |
| Current assets | | |
| Inventories | 694 | 1,329 |
| Trade receivables | 79,446 | 75,604 |
| Other assets | 19,166 | 26,687 |
| Current financial assets | 19,453 | 19,414 |
| Cash and cash equivalents | 63,572 | 45,499 |
| Total current assets | 182,331 | 168,533 |
| TOTAL ASSETS | 761,245 | 768,550 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Shareholders' equity pertaining to the Group | | |
| Share capital | 60,749 | 60,749 |
| Reserves | 12,660 | 106,128 |
| Profit/(Loss) for the period | (6,972) | (94,530) |
| Total Shareholders' Equity pertaining to the Group | 66,437 | 72,347 |
| Shareholders' Equity pertaining to minority interests | | |
| Total Shareholders' Equity | 66,437 | 72,347 |
| Non-current liabilities | | |
| Post-employment benefits | 4,300 | 4,387 |
| Non-current financial liabilities | 463,735 | 481,388 |
| Deferred tax liabilities | 55,501 | 53,675 |
| Provisions for risks and charges | 12,765 | 16,617 |
| Sundry payables and other non-current liabilities | 2,816 | 3,623 |
| Total non-current liabilities | 539,117 | 559,690 |
| Current liabilities | | |
| Trade payables | 30,276 | 37,539 |
| Other liabilities | 102,228 | 91,467 |
| Current financial liabilities | 4,092 | 7,507 |
| Current portion of long-term borrowings | 19,095 | 0 |
| Total financial liabilities | 23,187 | 7,507 |
| Total current liabilities | 155,691 | 136,513 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 761,245 | 768,550 |

SNAI Group - Consolidated Cash Flow Statement

| | 30.06.2014 | 30.06.2013 |
|---|----------------|-----------------|
| <i>amounts in thousands of Euro</i> | | |
| A. CASH FLOW FROM OPERATIONS | | |
| Profit (loss) for the period pertaining to the Group | (6,972) | (4,271) |
| Profit (loss) for the period pertaining to Third Parties | 0 | 0 |
| Amortisation and depreciation | 29,302 | 25,869 |
| Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities) | (1,578) | 1,484 |
| Change in provision for risks | (3,852) | (8,448) |
| (Capital gains) capital losses from non-current assets (including shareholdings) | 909 | 61 |
| Portion of earnings pertaining to shareholdings measured using the equity method (-) | 444 | 118 |
| Net change in sundry non-current trade assets and liabilities and other changes | (644) | (737) |
| Net change in current trade assets and liabilities and other changes | 7,812 | 28,038 |
| Net change in post-employment benefits | (87) | (552) |
| CASH FLOW FROM (USED IN) FROM OPERATIONS (A) | 25,334 | 41,562 |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Investments in property, plant and equipment (-) | (4,059) | (10,546) |
| Investments in intangible assets (-) | (2,212) | (1,822) |
| Proceeds from the sale of tangible, intangible and other non-current assets | 34 | 24 |
| CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B) | (6,237) | (12,344) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Change in financial receivables and other financial assets | (515) | (9,864) |
| Change in financial liabilities | (509) | (4,403) |
| Repayment of financing | 0 | (4,600) |
| Opening/disbursement of loans | 0 | 9,000 |
| Changes in debts to betting agencies deferred through purchase of "concession" business units | 0 | (113) |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C) | (1,024) | (9,980) |
| D. CASH FLOWS FROM DISCONTINUED ASSETS / ASSETS HELD FOR SALE (D) | | |
| E. TOTAL CASH FLOW (A+B+C+D) | 18,073 | 19,238 |
| F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS) | 45,499 | 11,010 |
| G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY | | |
| H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G) | 63,572 | 30,248 |

RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):

CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES

AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:

| | | |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 45,499 | 11,010 |
| Bank overdrafts | | |
| Discontinued operations | | |
| | 45,499 | 11,010 |

CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES

AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:

| | | |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 63,572 | 30,248 |
| Bank overdrafts | | |
| Discontinued operations | | |
| | 63,572 | 30,248 |

SNAI Group - Net financial indebtedness

| thousands of Euro | 30,06,2014 | 31,12,2013 |
|---|-----------------|-----------------|
| A. Cash | 223 | 206 |
| B. Other cash and cash equivalents | 63,349 | 45,293 |
| <i>bank accounts</i> | 63,342 | 45,284 |
| <i>Postal accounts</i> | 7 | 9 |
| C. Securities held for trading | 1 | 1 |
| D. Cash on hand (A) + (B) + (C) | 63,573 | 45,500 |
| E. Current financial receivables | 0 | 6 |
| - Escrow Account | 0 | 6 |
| F. Current bank debts | 38 | 40 |
| G. Current portion of non-current indebtedness | 19,095 | 0 |
| H. Other current financial payables | 4,054 | 7,467 |
| - for interest on bond loans | 2,480 | 3,661 |
| - for acquisition of sports and horseracing concessions | 42 | 42 |
| - to other lenders | 1,532 | 3,764 |
| I. Current financial indebtedness (F) + (G) + (H) | 23,187 | 7,507 |
| J. Net current financial indebtedness (I) - (E) -(D) | (40,386) | (37,999) |
| K. Non-current bank debts | 0 | 0 |
| L. Bonds issued | 462,166 | 479,214 |
| M. Other non-current payables | 1,569 | 2,174 |
| - to other lenders | 1,569 | 2,174 |
| N. Non-current financial indebtedness (K) +(L) + (M) | 463,735 | 481,388 |
| O. Net financial indebtedness (J)+(N) | 423,349 | 443,389 |

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,452 thousand, classified under item "current financial assets" on the balance sheet. Furthermore, the non-current financial assets are not included. With respect to the net financial indebtedness as at 31 December 2013, the net financial debt decreased by Euro 20,040 thousand. The decrease is mainly due to the positive performance of the ordinary share and the benefits generated by the extended payment of the flat tax for the first half of 2014.

B.5 Covenants

As with other similar loans, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 27 of the notes to the consolidated half-year financial statements, envisage a number of obligations for the Group.

The above-mentioned agreements provide that, as in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the due term of "Facility B" bonds and subsequent restrictions until expiration of other bond loans, as well as restrictions on the advanced redemption of bonds, undertaking financial indebtedness, making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advanced redemption.

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total amount of Euro 30 million (for more information see Note 27 of the notes to the consolidated financial statements for the half year).

In particular, these financial parameters refer to the maintenance of certain ratios of "pro-forma consolidated EBITDA". "Pro-forma Consolidated Ebitda" is defined in the loan contract and indicates the consolidated result before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items, adjusted with the effect generated by full roll out of VLT machines (run-rate). This latest update is valid until 31 December 2014.

SNAI S.p.A. is also required to provide its lenders periodic information on its cash flows and income, and key performance indicators, regarding SNAI Group, including EBITDA and net financial indebtedness.

It is noted that, as at 30 June 2014, the Group was compliant with commitments and covenants.

C. SNAI's Market and performance

C.1 SNAI's performance in the operating context

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

During the first half of 2014, the Group collected a total of Euro 2.7 billion and further enriched its offering of games. Particularly significant is the good performance of the wagers on virtual events, the expansion of the online games offered (casinos and slots), the launch of the complementary betting schedule and the strengthening of the offer through "mobile" applications for smart phones and tablets.

The Company's activities in the Gaming and Betting segment have been carried out and regulated by licenses issued by the Regulatory Authority AAMS – *Amministrazione Autonoma dei Monopoli di Stato* (in application of Legislative Decree 95 of 6 July 2012, as from 1 December 2012, the *Agenzia delle Dogane* [Customs Agency] incorporated the AAMS and took on the new name of *Agenzia delle Dogane e dei Monopoli*, ADM [Customs and Monopoly Agency] through the European tenders that succeeded each other over time.

The betting acceptance network of the SNAI Points is the broadest network in the territory of Italy and is comprised of approximately 3,000 gaming points, both with a direct gaming concession of the Company and with the supply of specialised services to the Company's Concession Holder clients. On this basis, the Company reaffirms its position as leader in the betting sector, with a market share in the half year (in terms of gross wagers) of the SNAI brand of 25.3% for sports betting and 48.3% for horse race betting. Due to the lack of official AAMS data, the estimates on the size of the market and the relative shares are the result of internal processing carried out by the Company.

The wagers during the period for the sports bets segment at the national level reached over Euro 2 billion, up by 9.4% compared to the same period in 2013.

Horse racing bets were also down: totalisator national horse racing bets dropped by 20.6% compared to 2013, affected adversely by the general crisis that continues to affect the horse racing sector.

The Company has a consolidated position in managing entertainment devices, with wagers of Euro 1.4 billion in the first half of 2014. During this period of time, the company consolidated its presence in the country and its position among network concession holders, strengthening its volume share in the VLT segment.

The Remote Gaming activities of betting ("GAD" [*Gioco a Distanza*]), Skill and Casino Games are supplied to customers who are holders of a "SNAI Card" brand gaming account through the Company's website www.snai.it and with support from Call Centre and Television services provided by the companies belonging to the SNAI Group. In the GAD segment, the Company offers on its website online poker tournaments using various modalities and numerous other games such as blackjack, backgammon, burraco, tresette, briscola, scopa, solitaire card games, bingo, dice poker, bets on virtual events, slot machines and other casino games.

The Digital segment has proved to be an important channel in terms of rendering SNAI an increasingly multi-platform business.

In the first half of 2014, there were some significant developments which aimed to maintain the existing offering of online games and the Casino sector updated and appealing with the introduction of new games, new slots and a new lobby for the mobile segment.

Furthermore, beginning in February the company added a series of controls and interventions regarding the terms and conditions for payment, withdrawal and access to games, aimed at preventing and restricting fraudulent activities that could take place by using those games in which voluntary movement of funds from one account to another is possible.

The Company has continued its own strategy based upon the pursuit of innovation in services and technologies, exploitation of its own know-how and a continuous focus on the client and the final customer, undertaking a considerable optimisation of processes aimed at improving customer satisfaction. In addition, an internal restructuring is in progress, aimed at improving the Company's focus on the market through the introduction of know-how and skills that are consistent with business objectives.

Periodic communication instruments (dedicated themes and immediate disclosures, as well as in depth operational issues referring to daily activities, newsletters issued at various times dedicated to the main initiatives of the Company, the changes in regulations and sector technology, events and sponsoring, and domestic and international events in the sector), have been improved and further developed.

The communication which is directed to its customers and final users is supported by external relations and press office activities focused mainly on the media and the mass consumer public; it was further enriched with publishing projects dedicated to the horse racing and sports betting segment, as well as the support to the dissemination of Remote Gaming and increasing the awareness of bettors insofar as legal and responsible gambling.

C.2 SNAI: the market shares and revenue

C.2.1 Collection of wagers at SNAI betting acceptance points and SNAI corners

In the first half of 2014, SNAI maintains its leadership in the horse race and sports betting segment and confirms its position, as it has in previous years, as one of the main concession holders for AWP's AND VLT's.

With a market share of 48.3%, SNAI is the undisputed leader in the race betting sector, though the market is undergoing a very marked contraction domestically, due to the persistence of the crisis in the racing sector and the lower pay out compared to other types of bets, as well as the higher taxes withheld.

The market for sports betting wagers is 25.3%, while that of the Entertainment Devices sector (AWP's and VLT's) is close to 6% (this latter data refers to 2013)..

The wagers in the sports betting market in the first half of 2014 (if compared with the same period in 2013), have increased by 9.4% due partly to the concluded activation of approximately 1,000 new shops which were opened as a result of the tender pursuant to art. 10 par. 9-octies of Law Decree no.16 of 2 March 2012, converted with amendments into Law no. 44 of 26 April 2012, partly starting from the Brazil World Cup which began on 12 June 2014.

In the first half of 2014, the overall collection of gaming wagers for the SNAI network (betting in the SNAI Points and in the affiliated lottery/betting offices, in the Bersani, Giorgetti and Monti Network gaming points, pool betting, AWP's, VLT's and GAD's) amounted to Euro 2.7 billion, as compared to Euro 2.8 billion in 2013.

C.2.2 Horse Racing Bets ("Horse race based gaming")

Bets made on horse races at physical and virtual points bearing the SNAI brand (betting agencies, stores and corners and online) in the first half of 2014 amounted to Euro 175 million, a volume that was 28,7% lower than the 2013 figure (Euro 245 million). The market share decreased from 54.8% in the first half of 2013 to 48.3% in the current half year due to the differing foreign planning.

An analysis of the collection of wagers on "national" horse races (winning, coupled, Tris, Quarté and Quinté, playable in both agencies and the Gaming Stores and Points) has a value of Euro 108 million, stabilizing the percentage at 43.5%, while totalisator and fixed quota SNAI bets cover 50.3% of the market, with over Euro 127 million in revenue.

C.2.3 Betting on events other than horse races ("Sports-based Gaming")

Betting on events other than horse races is comprised of gaming on Olympic sports, events related to motor racing (Formula 1, Motomondiale, Superbike), and other events (Miss Italia, Oscars, Sanremo Festival, television reality shows, etc.).

In this segment, the total revenue in the first half of 2014 decreased by 8.5% from Euro 570 million in the first half of 2013 to Euro 522 million in the first half of this year. The market share for fixed quota bets now amounts to 25.3%.

C.2.4 Entertainment devices

In 2014, the Company consolidated its presence and position among network concession holders, strengthening its percentage of the VLT segment.

In the AWP (Amusement with Prize) segment, the departure from our network of an important operator, who was among the three winners of the concession agreement, caused revenue to decrease in this initial phase of 2014. The machines in question will gradually be replaced. In the AWP segment, development continues of the proprietary machines placed at selected SNAI points, the objective of which is to improve the quality of the product and the services offered; compared to the same period last year the number of proprietary machines has more than doubled.

The diversification continues in terms of distribution, with contracts concluded with dedicated premises (Arcades) outside the network of SNAI Points, with the aim of improving the average revenue per device, which is normally higher compared to the average in such concerns.

In the first half of 2014, there were numerous "local" regulatory interventions which significantly limited the possibility of opening new gaming rooms.

At the end of the period, in the AWP segment the Company had approximately 25,882 authorisations to operate in over 7,890 concerns throughout the country, and owns 5,052 licenses to operate through VLT's in which, at the end of the period under review, it installed 4,812 VLT's in 739 premises. The remaining VLT's of the 5,052 are currently being moved to more successful premises.

Several significant agreements with sector operators were concluded in order to improve, over the medium term, the quality and productivity of the premises, begin developing the network AWP's again and increase the reliability of the partners.

The revenues as at 30 June 2014 are equal to Euro 1,376 million as compared to Euro 1,457 million in the same period last year. There was a decrease in the AWP segment, because a significant Operator left our network and is among the new contractors awarded the concession. In the VLT segment, growth was slowed down due to the temporary interruptions of the Spielo and Novomatic platforms, due in particular to the updates required by the Administration which decreased

performance and average revenue. The increase in the revenues from the VLTs was not enough to offset the decrease of the AWP.

The overall revenues of the ADI Division (AWPs & VLTs) totalled Euro 130.7 million as compared to Euro 128.7 million in the first half of 2013. This is a slight improvement over the previous year, despite the lower number of AWP and the movement of VLTs to high performing premises. The contribution margin of the AWP and VLTs has increased by 7.4% compared to the same period last year.

C.2.5 Bets on simulated events ("virtual bets")

Bets on simulated events are games of chance with a fixed payout in which the bettor selects from among the most probable events and is rewarded with a preset amount if the prognostic was correct.

SNAI offers several types of simulated events: soccer games; tennis matches in which a "game" must be selected; car racing, cycling, speedway, dog racing, harness racing and horse racing.

All the environments are personalised and the harness and horse racing in particular are set in the corporate racetracks of Milan and Montecatini as well.

The bets that are most popular with the public are offered and the amounts are calculated on the probability that an event will occur (probability based on which the winning outcome will be extracted by SOGEI), decreased by a percentage payable to the concession holder which is at least 10% and at most 40%, depending on the type of event.

In the first half of the year, the SNAI network collected Euro 10 million on the digital channel and Euro 222 million on the physical channel, totalling Euro 232 million.

C.2.6 The digital area

The digital area is concentrating on expanding its product portfolio so as to ensure that the gaming requirements of all types of SNAI customers are satisfied.

To this end, the increase in the casino games has increased slightly, especially the online slot new channels, such as the mobile one, which represent an increasingly more strategic area and, together with for the development of the online version of virtual event betting, can ensure that the decline of more mature products such as poker and bingo is offset.

The further development of the SNAI portal is in progress, in order to improve the customer experience and support a marketing strategy by customer segments.

D. Significant Events

D.1 Option for the purchase of shareholdings

On 8 January 2014, SNAI entered an option agreement for the purchase of 51% of the share capital of House Bet S.r.l., incorporated on 25 July 2013 to manage the gaming collection of entertainment machines installed in a games room. The purchase price of the option right amounted to Euro 245 thousand. In the event the purchase option is exercised, this amount will be deducted from the purchase price upon execution of the shareholding transfer deed.

D.2 Shareholders' Meeting of 29 April 2014

On 29 April 2014, the SNAI S.p.A. Shareholders' Meeting:

- approved the financial statements ending 31 December 2013, as well as loss coverage;
- appointed the new Board of Statutory Auditors for the three year period for 2014 to 2016 which will remain in office until the Shareholders' Meeting to be held for the approval of the financial statements for the year ended 31 December 2016;
- approved the proposal for the remuneration plan pursuant to article 114-bis of Legislative Decree 58/98 regarding a Remuneration Instrument for the Chairman and the Managing Director Giorgio Sandi, by virtue of his key position within the Company and fundamental role within the Company's development process. For more details please see note 32 "share based payment plans" in the notes to the condensed consolidated half-year financial statements.

D.3 Resignation of a member of the Board of Directors

Effective 1 June 2014, Mr. Gabriele Del Torchio resigned from his post as director and he has not yet been co-opted by another member of the Board of Directors. Mr. Del Torchio did not belong to any company committee and was not an independent Director.

D.4 The plan for the merger of Festa S.r.l. Held by a sole quotaholder and Immobiliare Valcarenga S.r.l. Held by a sole quotaholder into SNAI S.p.A. has been submitted.

The plan for the merger by incorporation of Festa S.r.l. held by a sole quotaholder and Immobiliare Valcarenga S.r.l. held by a sole quotaholder into SNAI S.p.A. ("SNAI")- approved by the boards of directors of the companies participating in the

merger was submitted for recording in the business register of the location where the companies participating in the merger are established.

The merger plan and the documentation on the transaction have been made available to public, pursuant to article 2501-septies of the Italian civil code and article 70, paragraph 1 of the Issuers' Regulation.

The transaction is part of a process for the restructuring of the corporate group which SNAI belongs to and aims to concentrate within SNAI all the activities which are currently carried out by the companies to be incorporated.

The merger will make it possible to simplify the corporate structure of the group and to further enhance the current operating, administrative and corporate synergies.

pursuant to Art. 2501-quarter par. 2 of the Italian civil code, the reference balance sheets of the companies participating in the merger will be those for the period ending 31 December 2013

As SNAI owns the entire share capital of Festa S.r.l. held by a sole quotaholder and Immobiliare Valcarenga S.r.l. held by a sole quotaholder, the merger will take place through the simplified procedure allowed under article 2505 of the Italian civil code which does not require, in particular, the preparation of a report by appraisers on the coherence of the share swap ratio pursuant to article 2501-sexies of the civil code. Indeed, the transaction will not require the determination of a share swap ratio since, upon completion of the merger, the percentages representing the entire share capital of the incorporated companies will be cancelled.

Furthermore, as a result of the merger, SNAI will not amend its own share capital (and therefore the shareholders will not be affected), the current articles of association will be maintained, and the shareholders will not be given a right to withdraw.

With regard to SNAI, the decision regarding the merger will be made by the Company's Board of Directors, as required by article 15 of the Articles of Association;

The merger is not a significant transaction pursuant to Attachment 3B of the Issuers' Regulation and is therefore exempted from publication of the disclosure document pursuant to article 70 of the Issuers' Regulation.

D.5 New binding offer to operator SIS S.r.l.

On 19 May 2014, SNAI S.p.A. submitted a new binding offer, which is valid and irrevocable to 20 October 2014 (the "**New Binding Offer**") to SIS - Società Italiana Scommesse S.r.l. ("**SIS**") and which (among other things) provides for fulfilment of specific condition, including the admission of SIS to the ongoing agreement with creditors procedure pursuant to article 186-bis of the Bankruptcy Law, no longer subject to encumbrances:

- (i) The purchase by SIS of a NewCo controlled by SNAI pursuant to article 2359 of the Italian civil code. This company is organized in the country for the management of wagers on public games of horse racing and/or sports, the remote management of legal gambling through entertainment devices (AWPs and VLTs), the collection of bets on simulations of events and the remote operation of public games. The price for the purchase of SIS by the NewCo is set at Euro 7,000,000.00 (seven million/00) to be paid through the full and/or cumulative payment of a portion of SIS's unsecured debt in the exact amount corresponding to the price;
- (ii) the conclusion of a non-compete clause with the individual shareholders of SIS in order to better protect the orderly development of the NewCo's operations at an overall amount of consideration of Euro 2,650,000.00 (two million six hundred and fifty thousand/00);
- (iii) the proposal of employment to two managers of SIS in relation to the activities that they can offer to the NewCo.

The application for admission to the ongoing agreement with creditors procedure pursuant to 186-bis of the Bankruptcy Law was submitted by SIS at the Court of Rome on 23 May 2014.

The new Binding Offer was supplemented on 20 June 2014 with certain prerequisites and conditions.

On 3 July 2014 the Court of Rome declared the SIS proposal inadmissible and a hearing was set for 15 July 2014 with SIS, while the latter was given until 14 July 2014 to supplement the plan or produce documents.

At the hearing of 15 July 2014, following the discussion, the Court of Rome has reserved its decision which has not been issued as yet.

D.6 Appeal to the Tax Authorities

On 28 May 2014, the Tax Authorities accepted the appeal submitted by SNAI S.p.A. with regard to the deductibility for IRES purposes of the amounts paid for settlement of the dispute with the AAMS at the Court of Accounts, amounting to Euro 63,000 thousand.

E. Directors' estimates related to the going concern requirements

The capital, financial position and operating results of the SNAI Group is characterised by: (i) negative results, largely due to the effects of unforeseeable phenomena, as well as a significant amount of amortisation/depreciation and financial

expenses, (ii) intangible assets of a significant amount as compared to the shareholders' equity which is reduced due to the accumulated losses, (iii) a significant level of indebtedness, with flows assigned to its reduction that are limited by the absorption of liquidity required by the investments that are typical of the business, financial expenses and, to date, the financial effects of the unexpected expenses.

In particular, with respect to the financial statements as at 30 June 2014, the Group reported net losses of Euro 7 million and shareholders' equity of Euro 66.4 million. Net financial indebtedness, equal to Euro 423.3 million, is mainly composed of bond loans issued and subscribed on 4 December 2013, with which, in the same month, the already existing bank loan was repaid in advance.

The Directors consider that the result before depreciation and write-downs, financial income/expenses, and taxes for the half year is better than the results for the same period of the previous year and exceeds expectations. The differences over business performance outlook are attributable to some major factors: i) the good acceptance by customers of the new bets on virtual events; ii) the revenues from the sports bets were below expectations, due to lower wagers mitigated by a better pay-out, which amounted to 78.3%; iii) lower revenues and margins generated by the ADI segment within which there was a delay in introducing the reduced pay out games; iv) the performance of the skill games, which performed below expectations in terms of revenues.

Directors prepared a strategic plan for 2014-2016 fiscal years (the "2014-2016 Plan" or the "Plan"). This Plan foresees that, at the end of the three-year period, there will be a relevant growth in revenues and margins and positive economic results will be achieved, together with a Shareholders' Equity substantially unchanged with respect to the current one, an adequate production of operating cash flows able to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Group is not likely to generate the necessary resources to entirely refund bond loans in 2018.

The Plan therefore defines a positive path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to: (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments. These results are however necessary to maintain the Group's Shareholders' Equity, (2) the Group's ability to repay or renegotiate the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the realization of future events and the characteristics of the reference market which might negatively affect the actual implementation of the Plan, thereby preventing the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

In order to mitigate these uncertainties, the Group has implemented a series of initiatives which will lead to benefit, among other, from the full and positive effect of the completed installation of 5,052 VLT rights, for which more than 1,000 terminals in better performing locations.

A further benefit will derive from the positive effects of the gaming wagers through the Virtual Events which, in the first period following their launch, raised strong interest in bettors with good wagers.

Lastly, the payout on sports bets was more easily managed thanks to the combined effects of the new management agreement which better aligns SNAI's interests with those of the Operators, as well as of the improved automatic controls on the betting acceptance system. Upon the positive achievement of the Plan objectives, Directors deem that the Group will be able to come up with the necessary resources to refund and/or replace the existing debts.

Directors therefore deem that the objectives set out in the Plan are reasonable and that the Group will be able to overcome the uncertainties acknowledged.

On the basis of all of the foregoing considerations, the Directors believe that the Group has the capacity to continue its business operations in the foreseeable future, and therefore has prepared the financial statements on the basis of the business as a going concern.

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

F.1 DESCRIPTION OF THE RISKS

Pursuant to the provisions set forth in article 154-ter of Legislative Decree 58/98, we hereby present the exposure of the Group to risks and uncertainties for 2014. It should be noted that the Group has always been particularly cautious insofar as the prevention of risks of all types which could impair its results of operations or the integrity of its assets.

The SNAI Group operates on the market for the collection of gaming and betting wagers, which include mainly sports and horse race bets, lawful gaming through AWP (formerly known as new slots) and through VLTs (videolotteries) as well as remote skill games, bingo and casino games. That market is regulated by the State authorities by issuing concessions. Therefore, the related risk refers to renewals of the concessions.

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

For further description of the risks of non-compliance with legal and regulatory provisions, please see the notes to the financial statements drafted pursuant to IFRS 7 in regard to the risk of non-compliance with regulations and laws; in

addition to what is stated above, the company is of the view that such risk is managed through an adequate organisational structure.

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

Market Risk

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

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

Credit Risk

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

The management is of the view that going forward, a significant portion of its operations and profits will continue to depend upon AAMS concessions and a distribution network consisting of third parties.

Liquidity Risk

Liquidity risk is the risk of unavailability of adequate sources of funding for the Group's operations. The Group's capacity to maintain its existing agreements as at the date of renewal and to invest in new contractual opportunities depends upon its capacity to access new sources of funding for such investments. To purchase and renew concessions, as well as maintain and invest in the technological renewal of the distribution network, typically requires cash outflows, and the possibility of not having enough liquidity at the appropriate moment may reflect negatively on the operating results, the business activities, the financial position and the prospects of the Group. The Group's exposure to such risk is linked principally to the commitments under the loan operation entered into in November and December 2013 with the issue of bond loans and the entering of a revolving facility unused as at 30 June 2014.

Country Risk

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

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

Operating Risk

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

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

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

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

F.2 DESCRIPTION OF UNCERTAINTIES

Legal proceedings

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

Relations with the Government

The Group's activities are subject to a broad and complex regulatory framework which imposes rules on individual suitability requisites 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 requisites. However, any failure on the part of the Group to comply with or obtain the suitability requirements could lead the regulatory authorities to seek to limit the Group's business operations.

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

G. Transactions with related parties

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

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

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

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

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

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

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

H. Human resources and industrial relations

As at 30 June 2014, the SNAI Group employed 722 persons, 48 more than 2013.

This increase is to be attributed mainly to the conclusion of temporary employment contracts required to cover the requirements of the summer season at the Montecatini and San Siro racetracks, in addition to particular additions to the *core business* structures of the parent company and the subsidiaries.

The staff is divided as follows:

| SNAI Group | 30.06.2014 | 30.06.2013 | 31.12.2013 |
|------------------------------------|-------------------|-------------------|-------------------|
| Executives | 23 | 21 | 22 |
| Office workers and middle managers | 632 | 656 | 581 |
| Workers | 67 | 72 | 71 |
| Total Employees | 722 (*) | 749 (**) | 674 (***) |

* of whom 146 are part-time employees and 31 are on maternity leave

** of whom 171 are part-time employees and 14 are on maternity leave

* * * of whom 103 are part-time employees and 6 are on maternity leave

The parent company SNAI S.p.A. adopts the C.C.N.L. [*Contratto Collettivo Nazionale di Lavoro* – the National Collective Labor Agreement] for “workers employed in the private metals and mechanical industry and the installation of equipment”;

The operating company Festa S.r.l. applies the commerce C.C.N.L.. Teleippica S.r.l. applies the C.C.N.L. for private radio and television employees.

TRENNO S.r.l. which operates in the horse racing sector, applies the C.C.N.L. applicable to racing companies.

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

I. Health and safety in the workplace pursuant to 2428 of the Italian civil code

Employees of the Group are specifically trained and periodically updated on issues concerning safety in the workplace; the training is also accompanied by a health monitoring plan and the preparation and disclosure of documents as required by Legislative Decree 81/2008 as currently applicable.

With regard to the workplace, the new offices for the Porcari headquarters have been made available to employees. They were refurbished in 2013 functionally, technically and aesthetically.

Restructuring and requalification took place within the racing installations run by TRENNO S.r.l. to improve their reception and operating capacity in order to ensure maximum technical and qualitative levels for all who operate therein. In the area of safety, a mobile emergency response unit has been made available at the facilities as a safeguard in the event of accidents during the races or training sessions.

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

J.1 Business outlook and updates on Business Plans

Business outlook

The Group's strategic objective is to maintain its leadership position on the betting market, including through new instruments offered by mobile operating technological platforms, and to increase the market share in the gaming sector and the entertainment devices sector. The Group is equipped with the resources, in terms of capital and know-how, that are necessary to achieve such objectives.

During the first half of 2014 the Group has: established in the country 50 new points of sale following the awarding of new rights in 2013; after completion of the installation of the 5,052 VLT rights in 2013, the Group began the process of reallocating these to more performing points of sale; following the launch of the virtual events which took place at the end of 2013, the Group is further developing its own infrastructure at the points of sale; furthermore it is continuing its monitoring activity of risks in order to consolidate the payout performances on sports bets.

As mentioned above, during 2014, 1,000 VLT terminals are being relocated to more efficient locations (mainly arcades) that are able to generate a higher average coin-in per machine. This should allow us to significantly improve our performance in the sector, despite the lacklustre performance of the sector overall.

The management of the sports bets payouts will be improved both through the improvement of automatic controls upon acceptance but also on account of the effects of the new operating contract that contributes to better alignment of SNAI interests with those of the distribution network.

The potential of the Virtual Events launched in December 2013 will be fully exploited and these will also be helpful in reinforcing the distribution network.

Furthermore the objective of improving and reinforcing the online and mobile range including through commercial partnerships with significant sector technological operators will continue to be pursued.

The Group also intends to develop the AWP sector through the availability of new state-of-the-art devices, whether owned or belonging to third parties.

The status of the business plan progress

The 2014-2016 Business Plan approved by the Board of Directors in its meeting of 20 March 2014, is based on:

- focus on profit margins through more control over the payouts on sports bets to maximize contractual benefits;
- improved balance throughout the network territory to increase market share in significant areas;
- long-term interventions promoting loyalty in Points of Sale with a high market share;
- full exploitation of the potential of the Virtual Events, to support, among other things, expansion of the distribution network;
- growth of the Remote Gaming segment including through commercial agreements with significant sector players;
- enhancement and requalification of the ADI area in the shops in the arcades;
- development of services dedicated to partners (training, dedicated web site) and actions aimed at customer retention;
- launch of services to citizens to maximize opportunities for the distribution network;
- new focus on the horse racing activity including through Expo 2015 & Finale Trotting World Master 2015.

In its meeting of 20 March 2014, the Board of Directors approved the 2014/2016 Business Plan which is focused on development and growth for the Group as listed above and which, once achieved, will contribute to reaching an maintaining economic and financial equilibrium and will make available the necessary resources for development of the business.

The closure of the first six months of 2014 shows a EBITDA performance which is better compared to the same period in the previous year and compared to expectations as well. The differences over business performance outlook are attributable to some major factors: i) the excellent results of the new bets on virtual events; ii) the revenues from the sports bets were below expectations, due to lower wagers mitigated by a better pay-out, which amounted to 78.3%; iii) lower revenues and margins generated by the ADI segment within which there was a delay in introducing the reduced pay out games; iv) the performance of the skill games, which performed below expectations in terms of revenues.

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

Guaranteed minimums

On 6 June 2013, SNAI was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, totalling Euro 3,328,018.72. Just as the previous notices, SNAI challenged these notices before the Lazio Regional Administrative Court, asking for their cancellation.

With its ruling 7323/2014 published on 10 July 2014, the Second Section of the Lazio Regional Administrative Court, based on the unconstitutionality of article 10, par. 5 b. of Law Decree 16/2012, cancelled the formal notices for the minimum guarantees for 2012, which had received an unreasonable "fair discount" of 5%.

The Company is now awaiting the publication of a similar ruling on the other lawsuit relative to the previous claims referring to 2006-2011, which were also taken over for ruling at the hearing of 6 June 2014 (for further details please see note 28 of the notes to the condensed consolidated half-year financial statements).

New binding offer to operator SIS S.r.l.

Please see paragraph D.5

K. Other information

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

The company does not hold, directly or indirectly, through companies of the SNAI Group or fiduciary companies or indirectly through agents, shares of the parent company.

No transaction involving the purchase or sale of shares took place in the first few months of 2014.

Neither SNAI S.p.A. nor other companies of the SNAI Group have ever granted any loan or guarantees either directly or indirectly for the purchase or trading of shares in SNAI S.p.A. or its parent company.

SNAI S.p.A. and the other companies of the Group are not subject to particular risks related to the fluctuation of exchange rates.

There is a slight sensitivity insofar as the interest rates since, for the portion of the bonds which has not been reimbursed ("Series B") of the bond issued on 8 November 2013, is linked to three month Euribor.

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

K.2 Option to take advantage of national tax consolidation

In June 2012, the corporate bodies of SNAI S.p.A., Festa S.r.l., Immobiliare Valcarenga S.r.l. and Teleippica S.r.l. renewed their three year option to participate in the national tax consolidation, based on the articles of Presidential Decree 917 of 22 December 1986, as it is currently applicable.

On 11 June 2013, TRENNO S.r.l. also renewed its commitment to the fiscal consolidation for a further 3 years.

for the Board of Directors
Giorgio Sandi
(President and Managing Director)

Milan, 31 July 2014

The executive responsible for the preparation of the corporate and accounting documents, Mr. Marco Codella declares pursuant to art. 154 bis, paragraph 5 of the Finance Consolidation Act that the financial disclosure set forth in this document corresponds with the data contained in the accounting documents and records.



Condensed Consolidated Half-year Financial Statements as at 30.06.2014

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

Milan, 31 July 2014

SNAI Group - Total consolidated income statement

| <i>amounts in thousands of Euro</i> | Notes | Half-year I 2014 | of which Related Parties note 34 | of which non- recurring note 36 | Half-year I 2013 | of which Related Parties note 34 | of which non- recurring note 36 |
|---|-------|---------------------|--|---------------------------------------|---------------------|--|---------------------------------------|
| Revenues from sales and services | 4 | 263,298 | | | 252,300 | 30 | |
| Other revenue and income | 5 | 393 | 4 | | 672 | 3 | |
| Change in inventory of finished and semi-finished products | | 0 | | | 1 | | |
| Raw materials and consumables | 6 | (636) | | | (868) | (3) | |
| Costs for services and use of third party assets | 7 | (178,589) | (343) | | (169,467) | (516) | |
| Costs of personnel | 8 | (18,353) | | | (19,149) | | |
| Other operating costs | 9 | (13,486) | (8) | | (19,730) | (9) | (2,962) |
| Capitalised internal construction costs | 10 | 450 | | | 474 | | |
| Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes | | 53,077 | | | 44,233 | | |
| Amortisation and depreciation | 11 | (29,302) | | | (25,869) | | |
| Other provisions | 28 | (448) | | | (292) | | |
| Profit/(loss) before financial income/expenses, taxes | | 23,327 | | | 18,072 | | |
| Gains and expenses from shareholdings | | (444) | | | (118) | | |
| Financial income | | 758 | | | 739 | | |
| Financial expenses | | (30,937) | | | (19,966) | | |
| Total financial income and expenses | 12 | (30,623) | | | (19,345) | | |
| PROFIT/(LOSS) BEFORE TAXES | | (7,296) | | | (1,273) | | |
| Income tax | 13 | 324 | | | (2,998) | | |
| Profit/(Loss) for the year | | (6,972) | | | (4,271) | | |
| Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes | | | | | | | |
| Net (loss)/profit from derivatives as cash flow hedges | | 1,062 | | | 2,491 | | |
| Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes | | 1,062 | | | 2,491 | | |
| Total profit/(loss) in comprehensive income statement, after taxes | 24 | 1,062 | | | 2,491 | | |
| Profit/(Loss) for the year | | (5,910) | | | (1,780) | | |
| <i>Attributable to:</i> | | | | | | | |
| Profit (loss) for the year pertaining to the Group | | (6,972) | | | (4,271) | | |
| Profit (loss) for the year pertaining to Third Parties | | 0 | | | 0 | | |
| Profit (loss) for the year pertaining to the Group | | (5,910) | | | (1,780) | | |
| Profit (loss) for the year pertaining to Third Parties | | 0 | | | 0 | | |
| Basic earning (loss) per share in Euro | 25 | (0.06) | | | (0.04) | | |
| Diluted earning (loss) per share in Euro | 25 | (0.06) | | | (0.04) | | |

SNAI Group - Comprehensive consolidated income statement

| <i>amounts in thousands of Euro</i> | Notes | QII 2014 | QII 2013 |
|---|-------|-----------------|-----------------|
| Revenues from sales and services | 4 | 121,043 | 109,043 |
| Other revenue and income | 5 | 210 | 366 |
| Change in inventory of finished and semi-finished products | | 0 | 1 |
| Raw materials and consumables | 6 | (226) | (283) |
| Costs for services and use of third party assets | 7 | (89,259) | (79,356) |
| Costs of personnel | 8 | (9,527) | (9,888) |
| Other operating costs | 9 | (4,669) | (10,807) |
| Capitalised internal construction costs | 10 | 225 | 225 |
| Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes | | 17,797 | 9,301 |
| Amortisation and depreciation | 11 | (14,492) | (13,327) |
| Other provisions | 28 | (24) | (39) |
| Profit/(loss) before financial income/expenses, taxes | | 3,281 | (4,065) |
| Gains and expenses from shareholdings | | (455) | (115) |
| Financial income | | 410 | 470 |
| Financial expenses | | (15,700) | (10,028) |
| Total financial income and expenses | 12 | (15,745) | (9,673) |
| PROFIT/(LOSS) BEFORE TAXES | | (12,464) | (13,738) |
| Income tax | 13 | 3,289 | 2,049 |
| Profit/(Loss) for the period | | (9,175) | (11,689) |
| Total other comprehensive income which will not be restated under profit/(loss) for the period after taxes | | | |
| Net (loss)/profit from derivatives as cash flow hedges | | 531 | 1,316 |
| Total other comprehensive income which will not be restated under profit/(loss) for the period after taxes | | 531 | 1,316 |
| Total profit/(loss) in comprehensive income statement, after taxes | 24 | 531 | 1,316 |
| Comprehensive Profit/(Loss) for the period | | (8,644) | (10,373) |
| <i>Attributable to:</i> | | | |
| Profit (loss) for the period pertaining to the Group | | (9,175) | (11,689) |
| Profit (loss) for the period pertaining to Third Parties | | 0 | 0 |
| Comprehensive Profit (loss) for the period pertaining to the Group | | (8,644) | (10,373) |
| Comprehensive Profit (loss) for the period pertaining to Third Parties | | 0 | 0 |
| Basic earnings (loss) per share in Euro | 25 | (0.08) | (0.10) |
| Diluted earnings (loss) per share in Euro | 25 | (0.08) | (0.10) |

With regard to transactions with related parties, reference is made to Note 34 "Related parties".

SNAI Group - Consolidated balance sheet and financial position

| <i>amounts in thousands of Euro</i> | Notes | 30.06.2014 | of which Related Parties note 34 | 31.12.2013 | of which Related Parties note 34 |
|---|-------|----------------|---|----------------|---|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment owned | | 139,271 | | 143,378 | |
| Assets held under financial lease | | 7,374 | | 9,405 | |
| Total property, plant and equipment | 14 | 146,645 | | 152,783 | |
| Goodwill | | 231,531 | | 231,531 | |
| Other intangible assets | | 117,456 | | 135,292 | |
| Total intangible assets | 15 | 348,987 | | 366,823 | |
| Shareholdings measured using the equity method | | 2,422 | | 2,866 | |
| Shareholdings in other companies | | 46 | | 46 | |
| Total shareholdings | 16 | 2,468 | | 2,912 | |
| Deferred tax assets | 17 | 78,088 | | 75,086 | |
| Other non-financial assets | 20 | 2,250 | | 2,413 | |
| Financial Assets | 21 | 476 | | 0 | |
| Total non-current assets | | 578,914 | | 600,017 | |
| Current assets | | | | | |
| Inventories | 18 | 694 | | 1,329 | |
| Trade receivables | 19 | 79,446 | | 75,604 | 6 |
| Other assets | 20 | 19,166 | | 26,687 | 1 |
| Current financial assets | 21 | 19,453 | | 19,414 | |
| Cash and cash equivalents | 22 | 63,572 | | 45,499 | |
| Total current assets | | 182,331 | | 168,533 | |
| TOTAL ASSETS | | 761,245 | | 768,550 | |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | |
| Shareholders' equity pertaining to the Group | | | | | |
| Share capital | | 60,749 | | 60,749 | |
| Reserves | | 12,660 | | 106,128 | |
| Profit/(Loss) for the period | | (6,972) | | (94,530) | |
| Total Shareholders' Equity pertaining to the Group | | 66,437 | | 72,347 | |
| Shareholders' Equity pertaining to minority interests | | | | | |
| Total Shareholders' Equity | 23 | 66,437 | | 72,347 | |
| Non-current liabilities | | | | | |
| Post-employment benefits | 26 | 4,300 | | 4,387 | |
| Non-current financial liabilities | 27 | 463,735 | | 481,388 | |
| Deferred tax liabilities | 17 | 55,501 | | 53,675 | |
| Provisions for risks and charges | 28 | 12,765 | | 16,617 | |
| Sundry payables and other non-current liabilities | 29 | 2,816 | | 3,623 | |
| Total non-current liabilities | | 539,117 | | 559,690 | |
| Current liabilities | | | | | |
| Trade payables | 30 | 30,276 | 232 | 37,539 | 1,008 |
| Other liabilities | 29 | 102,228 | 3 | 91,467 | 74 |
| Current financial liabilities | | 4,092 | | 7,507 | |
| Current portion of long-term borrowings | | 19,095 | | 0 | |
| Total financial liabilities | 27 | 23,187 | | 7,507 | |
| Total current liabilities | | 155,691 | | 136,513 | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 761,245 | | 768,550 | |

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in thousands of Euro)

| | Notes | Share capital | Legal Reserve | Share premium reserve | Cash Flow Hedge Reserve | Post-employment benefit reserve (IAS 19) | Profit (loss) carried forward | Profit/(loss) for the year | Total Shareholders' Equity Group | Total Shareholders' Equity Minority interests | Total Shareholders' Equity |
|---------------------------------------|-------|---------------|---------------|-----------------------|-------------------------|--|-------------------------------|----------------------------|----------------------------------|---|----------------------------|
| Balance as of 1/1/2013 | | 60,749 | 1,559 | 154,345 | (6,820) | (508) | (2,536) | (42,560) | 164,229 | 0 | 164,229 |
| Loss for fiscal year 2012 | | | | (46,063) | | | 3,503 | (42,560) | 0 | | 0 |
| Profit/(Loss) for the year | 24 | | | | 2,491 | 0 | | (4,271) | (4,271) | | (4,271) |
| Other aggregate profit/(loss) | | | | | 2,491 | 0 | | | 2,491 | | 2,491 |
| Aggregate profit/(loss) at 30.06.2013 | | 0 | 0 | 0 | 2,491 | 0 | 0 | (4,271) | (1,780) | | (1,780) |
| Balance as of 6/30/2013 | | 60,749 | 1,559 | 108,282 | (4,329) | (508) | 967 | (4,271) | 162,449 | 0 | 162,449 |
| | Notes | Share capital | Legal Reserve | Share premium reserve | Cash Flow Hedge Reserve | Post-employment benefit reserve (IAS 19) | Profit (loss) carried forward | Profit/(loss) for the year | Total Shareholders' Equity Group | Total Shareholders' Equity Minority interests | Total Shareholders' Equity |
| Balance as of 1/1/2014 | | 60,749 | 1,559 | 108,282 | (4,248) | (432) | 967 | (94,530) | 72,347 | 0 | 72,347 |
| Loss for fiscal year 2013 | 23 | | | (94,336) | | | (194) | 94,530 | 0 | | 0 |
| Profit/(Loss) for the year | 24 | | | | 1,062 | 0 | | (6,972) | (6,972) | | (6,972) |
| Other aggregate profit/(loss) | | | | | 1,062 | 0 | | | 1,062 | | 1,062 |
| Aggregate profit/(loss) at 6/30/2014 | | 0 | 0 | 0 | 1,062 | 0 | 0 | (6,972) | (5,910) | | (5,910) |
| Balance as of 6/30/2014 | | 60,749 | 1,559 | 13,946 | (3,186) | (432) | 773 | (6,972) | 66,437 | 0 | 66,437 |

SNAI Group - Consolidated Cash Flow Statement

| <i>amounts in thousands of Euro</i> | Notes | 30.06.2014 | of which Related Parties note 34 | 30.06.2013 | of which Related Parties note 34 |
|---|--------------------|----------------|---|-----------------|---|
| A. CASH FLOW FROM OPERATIONS | | | | | |
| Profit (loss) for the year pertaining to the Group | | (6,972) | | (4,271) | |
| Profit (loss) for the year pertaining to Third Parties | | 0 | | 0 | |
| Amortisation and depreciation | 11 | 29,302 | | 25,869 | |
| Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities) | 17 | (1,578) | | 1,484 | |
| Change in provision for risks | 28 | (3,852) | | (8,448) | |
| (Capital gains) capital losses from non-current assets (including shareholdings) | | 909 | | 61 | |
| Portion of earnings pertaining to shareholdings measured using the equity method (-) | 12 | 444 | | 118 | |
| Net change in sundry non-current trade assets and liabilities and other changes | 20-29 | (644) | | (737) | |
| Net change in current trade assets and liabilities and other changes | 18-19-20- 30-29 | 7,812 | (840) | 28,038 | 212 |
| Net change in post-employment benefits | 26 | (87) | | (552) | |
| CASH FLOW FROM (USED IN) FROM OPERATIONS (A) | | 25,334 | | 41,562 | |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | | | | | |
| Investments in property, plant and equipment (-) | 14 | (4,059) | | (10,546) | |
| Investments in intangible assets (-) | 15 | (2,212) | | (1,822) | |
| Proceeds from the sale of tangible, intangible and other non-current assets | | 34 | | 24 | |
| CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B) | | (6,237) | | (12,344) | |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Change in financial receivables and other financial assets | 21 | (515) | | (9,864) | |
| Change in financial liabilities | 27 | (509) | | (4,403) | |
| Repayment of financing | 27 | 0 | | (4,600) | |
| Opening/disbursement of loans | 27 | 0 | | 9,000 | |
| Changes in debts to betting agencies deferred through purchase of "concession" business units | 27 | 0 | | (113) | |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C) | | (1,024) | | (9,980) | |
| D. CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D) | | | | | |
| E. TOTAL CASH FLOW (A+B+C+D) | | 18,073 | | 19,238 | |
| F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS) | | | | | |
| | | 45,499 | | 11,010 | |
| G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY | | | | | |
| H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G) | | | | | |
| | 22 | 63,572 | | 30,248 | |
| RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS): | | | | | |
| CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS: | | | | | |
| Cash and cash equivalents | | 45,499 | | 11,010 | |
| Bank overdrafts | | | | | |
| Discontinued operations | | | | | |
| | | 45,499 | | 11,010 | |
| CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS: | | | | | |
| Cash and cash equivalents | | 63,572 | | 30,248 | |
| Bank overdrafts | | | | | |
| Discontinued operations | | | | | |
| | | 63,572 | | 30,248 | |

Interest expenses paid in the first half of 2014 amounted to around Euro 25,282 thousand (Euro 11,540 thousand in the first half of 2013).

The taxes paid in the first half of 2014 totalled approximately Euro 63 thousand (Euro 103 thousand in the first half of 2013).

FINANCIAL STATEMENTS AS AT 30 JUNE 2014

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1. Relevant accounting standards

Consolidation scope

SNAI S.p.A. SNAI S.p.A. (hereinafter also referred to as the "Parent Company") has its registered office at Via Luigi Boccherini, 39 Porcari (LU) - Italy. The composition of SNAI Group is provided in Annex 1.

The consolidated financial statements of the SNAI group as at 30 June 2014 comprise the financial statements of SNAI S.p.A. and the following subsidiaries, which are consolidated on a line-by-line basis:

- Società Trenno S.r.l. held by a sole quotaholder
- Festa S.r.l. held by a sole quotaholder
- Immobiliare Valcarenga S.r.l. held by a sole quotaholder
- SNAI Olè S.A.
- Teleippica S.r.l. held by a sole quotaholder

The consolidation scope remained unchanged with respect to 31 December 2013.

The financial statements of the companies included in the consolidation scope close on 31 December, coinciding with the Parent company's fiscal year-end. Such financial statements are opportunely reclassified and corrected in order to align them with the IFRS accounting standards and valuation criteria used by the Parent Company (reporting package). Such financial statements and reporting packages were approved by the respective management bodies.

The consolidated financial statements as at 30 June 2014 were approved by the directors of the Parent Company at the board of directors' meeting held on 31 July 2014 and then authorized for publication as provided by law.

Seasonality

As regards seasonality, this business is not subject to significant fluctuations, although it should be considered that the number of sports events, above all football matches, for which bets are accepted, is higher in the first and fourth quarters than in other quarters of the year.

1.1 Managers' estimates related to the going concern requirements

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

In particular, with respect to the financial statements as at 30 June 2014, the Group reported net losses of Euro 7 million and shareholders' equity of Euro 66.4 million. Net financial indebtedness, equal to Euro 423.3 million, is mainly composed of bond loans issued and subscribed on 4 December 2013, with which, in the same month, the already existing bank loan was repaid in advance.

The Directors consider that the result before amortisation and depreciation, financial income/expenses, and taxes for the half year is better than the results for the same period of the previous year and exceeds expectations. The differences over business performance outlook are attributable to some major factors: i) the good acceptance by customers of the new bets on virtual events; ii) the revenues from the sports bets were below expectations, due to lower wagers mitigated by a better pay-out, which amounted to 78.3%; iii) lower revenues and margins generated by the ADI segment within which there was a delay in introducing the reduced pay out games; iv) the performance of the skill games, which performed below expectations in terms of revenues.

Directors prepared a strategic plan for 2014-2016 years (the "2014-2016 Plan" or the "Plan"). This Plan foresees that, at the end of the three-year period, there will be a significant growth in revenues and margins and positive economic results will be achieved, together with a shareholders' equity substantially unchanged with respect to the current one, an adequate production of operating cash flows able to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness under the plan. In light of current forecasts, however, the Group is not likely to generate the necessary resources to entirely refund bond loans in 2018.

The Plan therefore defines a positive path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to: (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments. These results are however necessary to maintain the Group's shareholders' equity, (2) the Group's ability to repay or renegotiate the outstanding bond loans upon maturity and, more generally, (3) the uncertainty associated with the realization of future events and the characteristics of the reference market which might negatively affect the actual implementation of

the Plan, and therefore the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

In order to mitigate these uncertainties, the Group has implemented a series of initiatives which will lead to benefit, among other, from the full and positive effect of the completed installation of 5,052 VLT rights, for which more than 1,000 terminals are being transferred in better performing locations.

A further benefit derives from the positive effects of the gaming wagers through the Virtual Events which, in the first period from their launching, raised strong interest in bettors with good wagers.

Lastly, the pay-out on sports bets was more easily managed thanks to the combined effects of the new management agreement which better aligns SNAI's interests with those of the Operators, as well as of the improved automatic controls on the betting acceptance system. Upon the positive achievement of the Plan objectives, Directors deem that the Group will be able to come up with the necessary resources to refund and/or replace the existing debts.

Directors therefore deem that the objectives set out in the Plan are reasonable and that the Group will be able to overcome the identified uncertainties.

On the basis of all of the foregoing considerations, the Directors believe that the Group has the capacity to continue its business operations in the foreseeable future, and therefore has prepared the financial statements on the basis of the going concern assumptions.

1.2 Accounting standards

(a) General standards

These condensed consolidated half-year financial statements as at 30 June 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated half-year financial statements do not disclose all information required for the drafting of the annual consolidated financial statements. For this reason the consolidated half year consolidated financial statements should be read together with the consolidated financial statements as at 31 December 2013.

The drafting, measurement and consolidation criteria, as well as the accounting standards used in the preparation of these consolidated financial statements are consistent with those used for the drafting of the consolidated financial statements for the period ended 31 December 2013, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, as described below. The adoption of these amendments and interpretations had no significant impact upon the Group's financial position and economic performance.

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

Amendments to the new standards and interpretations applied as from 1 January 2014

In accordance with paragraph of 28 of IAS 8, the IFRSs that have come into effect as from 1 January 2014 and are applied by the Group are summarized and briefly illustrated below:

IAS 27 - Separate Financial Statements (revised in 2011)

Following the new IFRS 10 and IFRS 12 standards, IAS 27 is now limited to the accounting requirements for subsidiaries, joint ventures and affiliates in the financial statements. The amendments are effective for the accounting periods beginning on or later than 1 January 2014 and have had no effect on the Group's financial position, results or its disclosures.

IAS 28 - Shareholdings in Affiliates and Joint Ventures (revised in 2011)

Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Shareholdings in Affiliates and Joint Ventures, and describes the application of the equity method to shareholdings in joint ventures, in addition to affiliates. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014. *This amendment had no impact upon the Group's financial position, results or its disclosures.*

IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

The amendments clarify the meaning of "currently has a legally enforceable right of set-off". Moreover, the amendments clarify the application of the set-off criterion under IAS 32 in the case of settlement systems (e.g., central clearing houses) that apply non-simultaneous gross settlement mechanisms. The amendments are effective for annual periods beginning on or later than 1 January 2014. This amendment had no impact upon the Group's financial position, results or its disclosures.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Shareholdings in Joint Ventures and SIC-13 Jointly Controlled Entities - Contributions in kind by the participants in the control.

IFRS 11 eliminates the option of accounting for subsidiaries jointly using the proportionate consolidation method. Subsidiaries which, in combination, fall under the definition of a joint venture must be accounted for using the equity method instead.

The amendments are applicable to the accounting periods beginning on or after 1 January 2014. This amendment had no impact upon the Group's financial position, results or its disclosures.

IFRS 12 - Disclosures of Shareholdings in Other Companies

IFRS 12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. This disclosure refers to the equity investments of a company in subsidiaries, joint ventures, affiliates and structured vehicles. It also provides for new cases of disclosure. This standard will apply to annual periods beginning on or after 1 January 2014. The amendment had no impact on the Group's disclosures.

Amendments to IAS 36 - Recoverable Amount Disclosure for Non-Financial Assets

These amendments remove the implications on disclosures required by IAS 36 and involuntarily introduced by IFRS 13. Moreover, these amendments require a recoverable amount disclosure of assets or CGUs for which an impairment loss has been reported or reversed during the year. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. The amendment had no impact on the Group's disclosures.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement

The amendments aim to govern situations in which a derivative designated as hedging instrument is novated by a centralized counterparty pursuant to regulations or standards. The hedge accounting can therefore continue irrespective of novation, which would not be allowed without this amendment. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014. This amendment had no impact upon the Group's financial position, results or its disclosures.

The accounting layouts adopted by the SNAI Group for the fiscal period ended on 30 June 2014 have not changed from those adopted on 31 December 2013.

Reporting format of the Financial Statements

The format adopted by the Group is the following:

Consolidated Balance Sheet

The format adopted for the Balance sheet distinguishes between current and non-current assets and current and non-current liabilities and, for each asset and liability item, the disclosed amounts are those expected to be settled or recovered within or after 12 months from the reporting date.

Consolidated Comprehensive Income Statement

The Comprehensive income statement reports the items by type, as this is considered more representative of the Group's activities.

Statement of Changes in Consolidated Shareholders' Equity

The statement of changes in consolidated shareholders' equity shows the overall result for the period and the effect, for each item of shareholders' equity, of the changes in accounting standards and the corrections of errors as required by IAS 8. Furthermore, the format shows the balance of the profits and losses accumulated at the beginning of the period, the movements during the period and at the end of the period.

Consolidated Cash Flow Statement

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

2. Agreements for services licensed

The SNAI Group operates on the market for the collection of gaming and betting wagers, which include mainly sports and horse race bets, lawful gaming through AWP (formerly known as new slots) and through VLTs (videolotteries) as well as remote skill games, bingo and casino games. That market is regulated by the State authorities by issuing concessions.

Definitively, the SNAI Group is the holder of the following concessions:

| Owner | Qty | Subject matter | Due date |
|-------------|-----------------------------|--|----------------|
| SNAI S.p.A. | No. 1 Concession | Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Article 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions. | March 2022 |
| SNAI S.p.A. | No. 1 Concession Code 4311 | Operating of public gaming based on horses, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof | June 2016 |
| SNAI S.p.A. | No. 1 Concession Code 4501 | Operating of public gaming based on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof | June 2016 |
| SNAI S.p.A. | No. 1 Concession Code 4801 | Operating of public gaming through the activation of the remote horse race gaming networks and the management thereof | June 2016 |
| SNAI S.p.A. | No. 1 Concession Code 15215 | Operation through the remote collection of the following public games: a) sports bets; b) horse racing bets; c) horseracing and sports betting pools; d) national horse race gaming; e) games of skill, including tournament style card games; f) bingo. | September 2020 |
| SNAI S.p.A. | No. 1 Concession Code 4501 | Operation of horseracing and sports public games as per Art. 10, par. 9- octies, of the Law Decree No. 16 of 2 March 2012, converted as amended into Law No. 44 of 26 April 2012. | June 2016 |

3. Operating segments

The sector disclosure is presented by "operating sector". The sector is based upon the management structure and the internal reporting system followed by the Group. The intra-sector sales take place at market conditions. The group operates in the following main sectors:

- Betting services;
- Management of racetracks;
- Concessions;
- Television services.

Specifically, the group's operations have been defined as follows:

- **Betting services:** this segment contains all the operations connected to the remote services provided at bet collection sales points; these operations are essentially managed by SNAI S.p.A. and Festa S.r.l. insofar as the games and bets.
- **Management of racetracks:** this segment includes operations related to the management of the racetracks, including real estate management and organization of races; these operations are managed by Trenno S.r.l., Immobiliare Valcarenga S.r.l. and SNAI S.p.A. insofar as the real estate segment.
- **Concessions:** this segment includes operations related to the management of horseracing and sports accepting concessions entrusting the activation and operational management of the networks for the electronic management of legal gaming on amusement and entertainment machines and related activities and functions (slot machines - AWP and videolottery - VLT), in addition to activities related to skill games, bingo and casino games;
- **Television Services:** this segment includes operations related to radio and television services; these operations are managed by Teleippica S.r.l.

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

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

Conversely, the revenues from the sales of software and technology, the setting up of stores and other revenues which are not included in the four specific areas of operation are not allocated to the main segments; consequently, the costs connected to the previously mentioned revenues, other than the financial income and expenses which are not attributable to the four main areas of operation, but which are relative to the governance of the company overall, are not attributed to the specific segments.

The "concessions" segment includes all bets, both fixed quota (in which the desk/counter is owned by the concession holder) and totalisator bets (where the desk/counter is owned by the Ministry of Finance), accepted in the PAS (punti accettazione scommesse - bet acceptance points) where SNAI is the direct concession holder.

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

(amounts in thousands of Euro)

| | Betting services | | Management of racetracks | | Concessions | | Television Services | | Other | | Eliminations | | Total consolidated | |
|---|------------------|------------|--------------------------|------------|-------------|------------|---------------------|------------|------------|------------|--------------|------------|--------------------|------------|
| | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 |
| Sector assets | 10,037 | 9,142 | 6,959 | 6,416 | 226,553 | 208,253 | 15,601 | 13,308 | 1,867 | 1,962 | 0 | 0 | 261,017 | 239,081 |
| Tangible and intangible assets | 12,145 | 12,124 | 103,320 | 104,811 | 362,564 | 383,585 | 4,037 | 4,425 | 9 | 15 | 0 | 0 | 482,075 | 504,960 |
| Unattributable tangible and intangible assets | | | | | | | | | | | | | 13,557 | 14,646 |
| Shareholdings in affiliates | 0 | 0 | 2,374 | 2,814 | 0 | 0 | 0 | 0 | 94 | 98 | 0 | 0 | 2,468 | 2,912 |
| Unattributable assets | | | | | | | | | | | | | 2,128 | 6,951 |
| Total Assets | 22,182 | 21,266 | 1,12653 | 114,041 | 589,117 | 591,838 | 19,638 | 17,733 | 1,970 | 2,075 | 0 | 0 | 761,245 | 768,550 |
| Liabilities of the sector | 3,219 | 3,737 | 8,156 | 7,762 | 658,195 | 649,562 | 2,679 | 2,780 | 1,476 | 2,318 | 0 | 0 | 673,725 | 666,159 |
| Unattributable liabilities | | | | | | | | | | | | | 21,083 | 30,044 |
| Total Liabilities | 3,219 | 3,737 | 8,156 | 7,762 | 658,195 | 649,562 | 2,679 | 2,780 | 1,476 | 2,318 | 0 | 0 | 694,808 | 696,203 |
| Investments: | | | | | | | | | | | | | | |
| Tangible and intangible assets | 95 | 168 | 485 | 1,574 | 4,340 | 29,887 | 166 | 3,188 | 0 | 0 | 0 | 0 | 5,086 | 34,817 |
| Unattributable tangible and intangible assets | | | | | | | | | | | | | 1,185 | 4,991 |

I Half-year of 2014

(amounts in thousands of Euro)

| | Betting services | | Management of racetracks | | Concessions | | Television Services | | Other | | Eliminations | | Total consolidated | |
|--|------------------|------------------|--------------------------|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
| | Half-year I 2014 | Half-year I 2013 | Half-year I 2014 | Half-year I 2013 | Half-year I 2014 | Half-year I 2013 | Half-year I 2014 | Half-year I 2013 | Half-year I 2014 | Half-year I 2013 | Half-year I 2014 | Half-year I 2013 | Half-year I 2014 | Half-year I 2013 |
| Sector revenues | 5,933 | 6,953 | 3,483 | 3,677 | 249,210 | 237,388 | 4,574 | 4,841 | 491 | 113 | 0 | 0 | 263,691 | 252,972 |
| Inter-sector revenues | 2,059 | 2,160 | 119 | 270 | 5 | 0 | 1,498 | 1,144 | 272 | 244 | (3,953) | (3,818) | 0 | 0 |
| Results of operations | 3,005 | 2,674 | (4,189) | (5,041) | 23,806 | 19,480 | 589 | 1,464 | 116 | (505) | 0 | 0 | 23,327 | 18,072 |
| Quotas of results of operations pertaining to shareholdings | 0 | 0 | (440) | (110) | 0 | 0 | 0 | 0 | (4) | (8) | 0 | 0 | (444) | (118) |
| Financial (costs) and proceeds | (39) | (559) | (35) | (52) | (30,530) | (15,816) | 11 | (9) | 414 | (2,791) | 0 | 0 | (30,179) | (19,227) |
| Income tax | | | | | | | | | | | | | 324 | (2,998) |
| Profit/(loss) for the year | | | | | | | | | | | | | (6,972) | (4,271) |
| The results of operations include: Amortisation and depreciation | (241) | (298) | (1,983) | (2,054) | (26,518) | (23,059) | (554) | (450) | (6) | (8) | 0 | 0 | (29,302) | (25,869) |

QII 2014

(amounts in thousands of Euro)

| | Betting services | | Management of racetracks | | Concessions | | Television Services | | Other | | Eliminations | | Total consolidated | |
|--|------------------|----------|--------------------------|----------|-------------|----------|---------------------|----------|----------|----------|--------------|----------|--------------------|----------|
| | QII 2014 | QII 2013 | QII 2014 | QII 2013 | QII 2014 | QII 2013 | QII 2014 | QII 2013 | QII 2014 | QII 2013 | QII 2014 | QII 2013 | QII 2014 | QII 2013 |
| Sector revenues | 3,063 | 3,262 | 2,166 | 2,227 | 113,547 | 101,511 | 2,290 | 2,408 | 187 | 1 | 0 | 0 | 121,253 | 109,409 |
| Inter-sector revenues | 750 | 1,225 | 61 | 192 | 1 | 0 | 752 | 570 | 166 | 129 | (1,730) | (2,116) | 0 | 0 |
| Results of operations | 1,539 | 1,274 | (2,006) | (2,502) | 3,477 | (3,329) | 238 | 618 | 33 | (126) | 0 | 0 | 3,281 | (4,065) |
| Quotas of results of operations pertaining to shareholdings | 0 | 0 | (451) | (107) | 0 | 0 | 0 | 0 | (4) | (8) | 0 | 0 | (455) | (115) |
| Financial (costs) and proceeds | (18) | (313) | (18) | (26) | (15,471) | (7,694) | 15 | (5) | 202 | (1,520) | 0 | 0 | (15,290) | (9,558) |
| Income tax | | | | | | | | | | | | | 3,289 | 2,049 |
| Profit/(loss) for the year | | | | | | | | | | | | | (9,175) | (11,689) |
| The results of operations include: Amortisation and depreciation | (122) | (145) | (999) | (1,038) | (13,090) | (11,885) | (278) | (255) | (3) | (4) | 0 | 0 | (14,492) | (13,327) |

In the first half of 2014:

- the worsening of the results of operations for the "Concessions" segment is mainly due to the joint effect of: i) the increase of the revenues from the VLTs; ii) the introduction of the bets on virtual events; iii) the decrease in the revenues from sports and horse racing bets; iv) the decrease in the AWP machine fleet; v) amortisation related to the new concessions awarded through the Monti tender and the VLT concessions for the machines installed in the previous 12 months;
- The worsening in the "Television Services" segment is due to the application of fees linked to the new concession, compared to 2013 reporting.

Notes on the main items of the consolidated comprehensive income statements

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as at 30 June 2014.

4. Revenues from sales and services

The amount of revenues from sales of goods and services in the first half of 2014 is equal to Euro 263,298 thousand, down from Euro 252,300 thousand, and is detailed below:

| QII | | thousands of Euro | Half-year I | | |
|----------------|----------------|--|----------------|----------------|---------------|
| 2014 | 2013 | | 2014 | 2013 | Change |
| | | Net revenues from the collection of fixed quota and reference sports and horse race bets | 72,568 | 81,008 | (8,440) |
| 26,146 | 28,495 | Revenue from totalisator, national horseracing & forecast bets | 11,013 | 14,258 | (3,245) |
| 5,549 | 6,792 | Revenue from entertainment machines (ADI) | 130,689 | 128,693 | 1,996 |
| 65,780 | 60,090 | Net revenue from remote gaming (Skill/Casino/Bingo) | 10,511 | 13,306 | (2,795) |
| 4,751 | 6,138 | Revenues from betting collection services | 1,847 | 2,664 | (817) |
| 879 | 1,200 | Revenues for virtual events | 22,121 | 0 | 22,121 |
| 10,343 | 0 | Revenues for virtual events | 1,222 | 0 | 1,222 |
| 748 | 0 | Revenues from commissions | 1,935 | 0 | 1,935 |
| 938 | 0 | Revenues from third party remote gaming services (GAD) | 8 | 59 | (51) |
| 0 | 20 | Revenue from service and assistance contracts | 2,541 | 3,259 | (718) |
| 1,258 | 1,606 | Revenues from the operation of betting services at racetracks | 2,140 | 2,041 | 99 |
| 1,267 | 1,182 | Operation of racetrack and real estate properties | 595 | 665 | (70) |
| 345 | 307 | Revenues from television services and related services | 4,777 | 4,967 | (190) |
| 2,465 | 2,552 | Revenue from organisation and technology sales | 474 | 72 | 402 |
| 193 | 13 | Other services and sales to third parties | 857 | 1,308 | (451) |
| 381 | 648 | | | | |
| 121,043 | 109,043 | Total | 263,298 | 252,300 | 10,998 |

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

| QII | | thousands of Euro | Half-year I | |
|---------------|---------------|---|---------------|---------------|
| 2014 | 2013 | | 2014 | 2013 |
| 189,592 | 190,476 | Fixed Quota Sports Bets | 401,490 | 422,275 |
| (61) | (152) | Fixed Quota Sports Bets | (303) | (576) |
| (156,913) | (155,267) | Fixed Quota Sports Bets | (314,255) | (325,731) |
| (7,317) | (7,339) | Fixed Quota Sport Single Tax | (15,894) | (16,469) |
| 25,301 | 27,718 | Net Fixed Quota Sports Bets | 71,038 | 79,499 |
| 7,914 | 8,766 | QF Horse Race Bets and Reference Horse Race Bets | 14,028 | 16,032 |
| (67) | (72) | QF Horse Race and Reference Horse Race Winnings and Refunds | (99) | (127) |
| (6,011) | (6,808) | QF Horse Race and Reference Horse Race Winnings and Refunds | (10,642) | (12,381) |
| (326) | (365) | QF Horse Race and Reference Horse Race Single Tax | (578) | (663) |
| (665) | (744) | Horse Race Withholding | (1,179) | (1,352) |
| 845 | 777 | Net Fixed Quota and Reference Horse Race Bets | 1,530 | 1,509 |
| 26,146 | 28,495 | Total net revenue from fixed-odds and reference bets | 72,568 | 81,008 |

The decrease of net revenues of sports bets is due to the lower collection of wagers and the higher pay-out compared to the first half of the previous year. In the first half of 2014, the pay-out on sports betting amounted to approximately 78.3% compared to 77.2% in the first half of 2013.

Revenue from totalisator, national horseracing and forecasted bets decreased due to the continued crisis in the horse race sector.

Revenue from concessions for the management of the network of entertainment machines (ADI) amounted to a total of Euro 130,689 thousand in the first half of 2014, which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item "Costs of third-party services and leasing/rental expenses" in Note 7. It should be recalled that the concession holders are required to pay to AAMS (pursuant to the Law Decree no. 95 of 6 July 2012. Since 1 December 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency), an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The balance sheet shows the amount of Euro 6,878 thousand paid for the "Entertainment machine guarantee deposit" in the first half-year of 2014 (see Note 20).

The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. Directors' Decree No. 2013/4879/GIOCHI/ADI of 06/02/2013 has determined the criterion and conditions for the return of the guarantee deposit for 2013. Based on information received and the internal verifications carried out, SNAI believes that the service levels reached in the current period as well, are such that they will allow for the guarantee deposit to be reimbursed.

The following table shows the breakdown of the item Net Revenue from Remote Gaming (Skill/Casino/Bingo):

| QII | | | Half-year I | |
|--------------|--------------|--|---------------|---------------|
| 2014 | 2013 | thousands of Euro | 2014 | 2013 |
| 178,579 | 243,000 | Remote games | 391,502 | 525,993 |
| (172,360) | (234,881) | Winnings | (377,729) | (508,389) |
| (1,468) | (1,981) | Single Tax | (3,262) | (4,298) |
| 4,751 | 6,138 | Net revenue from remote gaming (Skill/Casino/Bingo) | 10,511 | 13,306 |

The item "Revenues from television services and related services" includes mainly revenues deriving from the agreement entered into by the subsidiary Teleippica S.r.l. with MIPAAF (former ASSI, now absorbed into MIPAAF) for the television broadcasting of horseracing at the points of acceptance of horse race bets.

5. Other revenue and income

The other revenue and income item, equal to Euro 393 thousand in the first half of 2014 (Euro 672 thousand in the first half of 2013) breaks down as follows:

| QII | | thousands of Euro | Half-year I | | |
|------------|------------|---|-------------|------------|--------------|
| 2014 | 2013 | | 2014 | 2013 | Change |
| 43 | 90 | Rental of assets and chargeback expense | 89 | 143 | (54) |
| 0 | 0 | Active trading | 15 | 0 | 15 |
| 21 | 130 | Revenue from compensation and reimbursement for damages | 51 | 225 | (174) |
| 14 | 15 | Contributions to MIPAAF investment fund | 27 | 30 | (3) |
| 27 | 1 | Capital gain from the sale of assets | 31 | 4 | 27 |
| 105 | 130 | Other revenue and income | 180 | 270 | (90) |
| 210 | 366 | Total | 393 | 672 | (279) |

6. Raw materials and consumables

The cost of raw materials and consumables amounted to a total of Euro 636 thousand in the first half of 2014 (Euro 868 thousand in the first half of 2013), mainly related to materials used in bet collection, technology and the furnishings installed in the new points of sales. The capitalised assets amounted to Euro 1,395 thousand (Euro 3,518 thousand in the first half of 2013).

7. Costs for services and use of third party assets

Costs of third-party services and leasing/rental expenses amounted to a total of Euro 178.589 thousand in the first half of 2014 (Euro 169,467 thousand in the first half of 2013), as broken down below:

| QII | | | Half-year I | | |
|---------------|---------------|---|--------------------|----------------|---------------|
| 2014 | 2013 | thousands of Euro | 2014 | 2013 | Change |
| 19,518 | 18,761 | Betting acceptance management | 40,515 | 40,783 | (268) |
| 48,317 | 44,009 | Entertainment devices services (ADI) | 95,961 | 95,905 | 56 |
| 1,157 | 1,255 | Remote gaming management (Skill/Casino/Bingo) | 2,477 | 2,883 | (406) |
| 472 | 441 | Bookmakers | 952 | 957 | (5) |
| 1,460 | 1,695 | Remote-gaming services | 3,355 | 4,295 | (940) |
| 5,453 | 0 | Remote virtual race costs | 10,983 | 0 | 10,983 |
| 310 | 309 | Management of racetracks | 458 | 519 | (61) |
| 1,923 | 739 | Television and radio services | 3,797 | 1,429 | 2,368 |
| 90 | 97 | Rent of stations | 192 | 196 | (4) |
| 1,012 | 2,685 | Consultancy cost and expense reimbursements | 2,019 | 3,602 | (1,583) |
| 1,778 | 1,953 | Utilities and telephone | 3,617 | 3,972 | (355) |
| 1,985 | 2,571 | Equipment repair and maintenance | 4,192 | 4,897 | (705) |
| 2,343 | 938 | Advertising and promotion | 3,807 | 2,586 | 1,221 |
| 121 | 912 | IT services | 207 | 1,793 | (1,586) |
| 383 | 423 | Installations, logistics and design | 704 | 837 | (133) |
| 139 | (17) | Personnel costs for collaborations and other | 200 | 39 | 161 |
| 390 | 400 | Insurance and guarantees | 759 | 817 | (58) |
| 147 | 131 | Market research | 253 | 273 | (20) |
| 127 | 124 | Marketing materials | 267 | 251 | 16 |
| 214 | 202 | Rental fees and additional charges | 406 | 414 | (8) |
| 252 | 219 | Operating leases and other leasing | 483 | 425 | 58 |
| 547 | 374 | Directors' fees | 1,062 | 697 | 365 |
| 245 | 263 | Independent Auditors' fees | 368 | 385 | (17) |
| 62 | 62 | Statutory Auditors' fees | 123 | 125 | (2) |
| 37 | 23 | Regulation authority and other committees fees | 77 | 64 | 13 |
| 20 | 12 | Expense reimbursement to directors and auditors | 27 | 17 | 10 |
| 757 | 775 | Other | 1,328 | 1,306 | 22 |
| 89,259 | 79,356 | Total | 178,589 | 169,467 | 9,122 |

In particular, the table shows:

- sports and horse race betting collection service fees granted to the managers of horse race and sports stores and betting corners decreased from Euro 40,783 thousand in the first half of 2013 to Euro 40,515 thousand in the first half of 2014. The decrease is due to the lower wagers collected on sports and horse racing bets from physical networks;
- costs for ADI services (totalling Euro 95,961 thousand compared to Euro 95,905 thousand in the first half of 2013) comprise fees paid to third party operators charged of gaming collection and running costs for VLT platforms.
- the operating costs for virtual races equal Euro 10,983 thousand which include the operator costs and the platform costs.

The item "others" mainly comprises: non-competition agreement, surveillance and security services for the transportation of money and valuables, cleaning services, postal and shipping expenses, waste disposal and running costs of company vehicles.

8. Costs of personnel

The costs of personnel reached a total of Euro 18,353 thousand in the first half of 2014, as compared to Euro 19,149 thousand in the first half of 2013, a decrease of Euro 796 thousand (- 4.2%) mainly due to the decrease in the allocation of leaving incentives for employees or managers who were terminated and the stabilization of the company turnover.

| QII | | | Half-year I | | |
|-------------|-------------|--------------------------|--------------------|-------------|---------------|
| 2014 | 2013 | thousands of Euro | 2014 | 2013 | Change |
| 6,586 | 6,445 | Wages and salaries | 12,672 | 12,522 | 150 |
| 2,003 | 1,949 | Social security charges | 3,829 | 3,895 | (66) |

| | | | | | |
|-----|-----|---|-----|-------|-------|
| 362 | 367 | Accrual to defined-benefit/defined-contribution plans | 719 | 725 | (6) |
| 24 | 29 | Costs for personnel training | 42 | 57 | (15) |
| 194 | 138 | Expense reimbursement to employees | 385 | 274 | 111 |
| 206 | 186 | Meal tickets | 388 | 365 | 23 |
| 152 | 774 | Other costs of personnel | 318 | 1,311 | (993) |

| | | | | | |
|--------------|--------------|--------------|---------------|---------------|--------------|
| 9,527 | 9,888 | Total | 18,353 | 19,149 | (796) |
|--------------|--------------|--------------|---------------|---------------|--------------|

The item "Accrual to defined-benefit/defined-contribution plans" also includes the impact on the income statement resulting from the valuation of the post-employment benefits in accordance with IAS 19.

The number of employees at the end of the period is shown in the table below, showing an increase of 48 employees compared to 31 December 2013, to be attributed mainly to the conclusion of temporary employment contracts required to cover the requirements of the summer season at the Montecatini and San Siro racetracks, in addition to particular additions in the core business structures of the parent company and the subsidiaries.

| 30.06.2013 | | 31.12.2013 | Accruals for the period | Disburse ments for the period | 30.06.2014 | Average No. in period |
|------------|---------------------------------------|------------|-------------------------------|--|------------|--------------------------|
| 21 | Executives | 22 | 2 | 1 | 23 | 22 |
| 656 | Office workers and middle managers | 581 | 64 | 13 | 632 | 591 |
| 72 | Workers | 71 | 0 | 4 | 67 | 68 |
| 749 | * Total Employees | 674 | * 66 | 18 | 722 | *** 681 |

* of whom 171 part-time and 14 on maternity leave

** of whom 103 part-time and 6 on maternity leave

*** of whom 146 part-time and 31 on maternity leave

9. Other operating costs

Other operating costs amounted to a total of Euro 13,486 thousand in the first half of 2014 (Euro 19,730 thousand in the first half of 2013).

| QII | | | Half-year I | | |
|--------------|---------------|--|---------------|---------------|----------------|
| 2014 | 2013 | thousands of Euro | 2014 | 2013 | Change |
| 3,196 | 3,622 | Concessions and licenses | 7,464 | 7,827 | (363) |
| 177 | 2,962 | Administration fines | 323 | 2,962 | (2,639) |
| 1,622 | 1,200 | % non-deductible VAT | 2,997 | 2,368 | 629 |
| 986 | 1,449 | Provision for doubtful debts | 2,027 | 3,545 | (1,518) |
| 115 | 476 | Credit losses | 387 | 896 | (509) |
| 0 | (1) | Utilisation of provision for doubtful debts and for risks | 0 | (143) | 143 |
| (2,591) | 0 | Release of technological renewal fund | (2,591) | 0 | (2,591) |
| 112 | 73 | Provision for risks | 222 | 140 | 82 |
| 31 | 51 | Entertainment expenses | 62 | 108 | (46) |
| 76 | 65 | Subscription fees | 145 | 128 | 17 |
| 174 | 146 | Other taxes | 350 | 245 | 105 |
| 317 | 258 | IMU (real estate tax) | 632 | 630 | 2 |
| 105 | 117 | Stationery, consumables and promotional materials | 162 | 276 | (114) |
| 31 | 33 | Environmental and health controls | 54 | 43 | 11 |
| 27 | 188 | Losses on settlement of disputes | 142 | 262 | (120) |
| 220 | 24 | Capital losses from sale of assets | 940 | 65 | 875 |
| 71 | 144 | Other administration and operating costs | 170 | 378 | (208) |
| 4,669 | 10,807 | Total | 13,486 | 19,730 | (6,244) |

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on entertainment machines (ADI) of Euro 4,181 thousand, calculated at 0.30% of the volume wagered and paid to AAMS on a bimonthly basis;
- the concession fee for the marketing of fixed-odds betting on sporting events other than horse racing and on non-sporting events as per Art. 4 of the Convention, approved by Directors Decree 2006/22503 of 30.06.2006 and for the marketing of public gaming concessions "in the exercise of horse racing and sports betting" via the rights awarded through the call for tenders in 2006 ("Bersani rights") and the rights awarded through the call for tenders in 2008 ("Giorgetti rights"), and the rights awarded through the call for tenders in 2012 ("Monti rights"), as provided by the respective concessions, in the amount of Euro 2,691 thousand;
- the concession fee for remote public gaming under the corresponding concessions in the amount of Euro 330 thousand;
- the television licence fees in the amount of Euro 174 thousand.

In the first half of the year, an allocation was set aside to the Provision for doubtful debts, in the amount of Euro 2,027 thousand in order to align, with their recoverable value, receivables that arose in prior fiscal years in connection with the Group's core business operations and which showed, over the course of the year, growing difficulties with regard to their collection.

In the first half of 2014, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 222 thousand, as provided for by the concession agreement for the building and running of networks for the online management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions. Furthermore, the provision for technological upgrading was released. It had been allocated as required by the previous concession, as authorized by the AAMS (Autonomous Administration for State Monopolies) in the amount of Euro 2,591 thousand.

The "% Non-deductible VAT", equal to Euro 2,997 thousand, relates to particular operations performed by SNAI S.p.A., by Festa S.r.l. and by Società Trenno S.r.l., which generate, in part, the revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases.

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

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

Capital losses from sale of assets, equal to Euro 940 thousand, mainly relate to the scrapping of assets no longer used carried out by the Parent company.

10. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 450 thousand in the first half of 2014 (Euro 474 thousand in the first half of 2013) are essentially related to software generated internally for:

- IT systems supporting the Business lines (Business Intelligence);
- centralized systems and peripheral terminals for the acceptance of bets;
- centralized systems for the management of relations with AAMS and client invoicing services for entertainment devices;
- centralized systems, gaming interfaces and integration protocols for the collection of remote gaming wagers through SnaiCards;
- networking solutions supporting the Business lines;
- development and strengthening of the company ERP;
- centralized and peripheral systems for the operation of additional services at points of sale;
- centralized systems and web interfaces for the integration and sale of Skill games (tournament poker, cash poker, casino games, slot games) games (tournament poker, cash poker, casino games, slot games);
- web-based solutions for information for the Operator, knowledge base, manuals, how-to, integration with the system for requests for intervention and sourcing of consumables (SnaiPartner);
- viewing systems for the point of sale (new graphics pages, Intuition project);

- centralized systems for the management of contacts with AAMS, reporting, customer services (VLT);
- Gaming control systems (SnaiProfit);
- Implementation of the new company CRM;
- Sales point Management system (MyWeb);
- System for the acceptance of bets on Virtual Events;
- Implementation of new acceptance solutions of self-service games.
- Proactive monitoring and control systems in the peripheral components.

11. Amortisation and depreciation

These amount to a total of Euro 29,302 thousand for the first half of 2014 (Euro 25,869 thousand in the first half of 2013), as detailed below:

| QII | | | Half-year I | | |
|---------------|---------------|---|---------------|---------------|--------------|
| 2014 | 2013 | thousands of Euro | 2014 | 2013 | Change |
| 9.935 | 8.336 | Amortisation of intangible assets | 20,042 | 16,185 | 3,857 |
| 4.398 | 4.940 | Depreciation of property, plant and equipment | 9,011 | 9,633 | (622) |
| 159 | 51 | Write-downs | 249 | 51 | 198 |
| 14.492 | 13.327 | Total | 29,302 | 25,869 | 3,433 |

Further information regarding the above is provided in the Notes 14 and 15, "Property, plant and equipment" and "Intangible assets".

12. Financial income and expenses

In the first half of 2014, net financial expenses amounted to Euro 30,623 thousand, up by Euro 11,278 thousand over the first half of 2013, as detailed below:

| QII | | | Half-year I | | |
|--|----------------|---|-----------------|-----------------|-----------------|
| 2014 | 2013 | thousands of Euro | 2014 | 2013 | Change |
| Gains and expenses from shareholdings | | | | | |
| (15) | 0 | Write-up/(write-down) Alfea S.p.A. | (4) | (3) | (1) |
| (436) | (107) | Write-up/(write-down) Hippogroup Roma Capannelle S.p.A. | (436) | (107) | (329) |
| (4) | (8) | Write-up/(write-down) shareholding in Connex S.r.l. | (4) | (8) | 4 |
| (455) | (115) | | (444) | (118) | (326) |
| Financial income | | | | | |
| 0 | 1 | Gains on foreign exchange | 1 | 3 | (2) |
| 330 | 282 | Bank interest income | 602 | 479 | 123 |
| 80 | 187 | Misc. interest income | 155 | 257 | (102) |
| 410 | 470 | | 758 | 739 | 19 |
| Financial expenses | | | | | |
| 0 | 5,606 | Interest expense on loans | 0 | 11,368 | (11,368) |
| 12,896 | 0 | Interest expense on bond loan | 25,255 | 0 | 25,255 |
| 77 | 75 | Other interest expense | 162 | 153 | 9 |
| 2 | 1 | Exchange rate losses | 4 | 4 | 0 |
| 939 | 1,914 | Interest expense and ancillary costs on leasing | 1,856 | 3,653 | (1,797) |
| 30 | 32 | Interest expense on post-employment benefits | 60 | 65 | (5) |
| 0 | (2) | Ineffective portion of cash flow hedge | 0 | 10 | (10) |
| 1,756 | 2,402 | Other financial expenses | 3,600 | 4,713 | (1,113) |
| 15,700 | 10,028 | | 30,937 | 19,966 | 10,971 |
| (15,745) | (9,673) | Total | (30,623) | (19,345) | (11,278) |

Financial income includes interest income accrued on bank accounts in the amount of Euro 602 thousand and other interest income for Euro 155 thousand mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses include the following:

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- expenses calculated in accordance with the depreciated cost method under IAS 39 by applying the effective interest rate on loans for a total of Euro 25,255 thousand of which Euro 2,375 thousand can be attributed to ancillary costs; these expenses are related to the bonds issued on 8 November 2013 for Euro 35,000 thousand, of which Euro 15,000 thousand were redeemed with the issue on 4 December 2013 of another bond loan of Euro 480,000 thousand (for further details on bond loans, reference should be made to Note 27);
- interest expenses calculated on financial leasing in the amount of Euro 1,221 thousand and accessory charges on leasing for Euro 635 thousand, including non-deductible VAT;
- other financial charges, including Euro 1,465 thousand of release of the portion pertaining of the cash flow hedge reserve related to hedge derivatives existing in 2013, Euro 1,279 thousand of commissions on bank guarantees, Euro 298 thousand of commissions payable on revolving loans and Euro 443 thousand of bank charges.

13. Income tax

Current income taxes, inclusive of IRES tax and IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded in the first half of 2014, show a negative balance of Euro 324 thousand.

| QII | | | Half-year I | |
|----------------|----------------|--|--------------|--------------|
| 2014 | 2013 | thousands of Euro | 2014 | 2013 |
| (1,236) | (138) | IRES | 0 | 347 |
| 39 | 213 | IRAP | 1,254 | 1,497 |
| 892 | 1,310 | Allocation to deferred tax liabilities provision | 2,191 | 2,536 |
| (243) | (254) | Use of provision for deferred tax liabilities | (365) | (454) |
| (4,742) | (1,465) | Deferred tax assets | (6,218) | (2,290) |
| 2,000 | (1,765) | Reversal of deferred tax assets | 2,813 | 1,312 |
| 1 | 50 | IRES/IRAP for prior years | 1 | 50 |
| (3,289) | (2,049) | Total | (324) | 2,998 |

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the condensed interim financial statements as at 30 June 2014 and the theoretical tax charge (in thousands of Euro):

| | I sem. 2014 | | I sem. 2013 | |
|---|-------------|--------------|-------------|----------------|
| Profit before tax | | (7,296) | | (1,273) |
| Theoretical IRES tax charge | 27.50% | 2,006 | 27.50% | 350 |
| Theoretical IRAP tax charge | 4.72% | 344 | 4.20% | 53 |
| Total Theoretical tax (charge)/credit | | 2,351 | | 404 |
| Fines, penalties and other taxes | | (228) | | (862) |
| Other permanent non-deductible costs | | (178) | | (790) |
| Other permanent tax deductions | | 183 | | 58 |
| | | 2,128 | | (1,190) |
| Permanent differences for IRAP tax purposes (including employees) | | (1,803) | | (1,757) |
| | | 325 | | (2,947) |
| Tax and duties for prior year | | (1) | | (51) |
| Actual tax (charge)/credit | -4.44% | 324 | 235.54% | (2,998) |

For further details on the effects deriving from the tax burden and the tax consolidation regime, reference is made to Note 17 "Deferred tax assets and deferred tax liabilities" of these explanatory notes. The last fiscal year finalised for tax purposes was the year 2008.

Reference is made to paragraph 28 for further details on tax disputes.

Notes to the main items of the consolidated balance sheet

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as at 31 December 2013.

14. Property, plant and equipment

Property, plant and equipment as at 30 June 2014 amounted to Euro 146,645 thousand (Euro 152,783 thousand). The changes in the period are due to the combined effect of the depreciation charge for the period of Euro 9,011 thousand, investments of Euro 4,059 thousand), reclassification of intangible assets of Euro 5 thousand, impairment write-downs of Euro 249 thousand and disposals/sales, net of accumulated depreciation of Euro 942 thousand.

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advances to suppliers | Total |
|----------------------|--------------------|---------------------|-------------------------------------|--------------|---|-------|
| In thousands of Euro | | | | | | |

Cost

| | | | | | | |
|---------------------------------------|----------------|----------------|--------------|---------------|------------|----------------|
| Balance as at 31 December 2013 | 141,434 | 170,165 | 7,231 | 26,036 | 112 | 344,978 |
| Reclassification | (2) | (67) | 0 | 186 | (112) | 5 |
| Other increases | 345 | 3,211 | 115 | 388 | 0 | 4,059 |
| Decreases | 0 | (6,725) | 0 | (3,983) | 0 | (10,708) |
| Balance as at 30 June 2014 | 141,777 | 166,584 | 7,346 | 22,627 | 0 | 338,334 |

Depreciation and impairment write-down

| | | | | | | |
|---------------------------------------|---------------|----------------|--------------|---------------|----------|----------------|
| Balance as at 31 December 2013 | 33,826 | 136,216 | 6,829 | 15,324 | 0 | 192,195 |
| Depreciation for the period | 1,540 | 6,160 | 66 | 1,245 | | 9,011 |
| Write-downs | 0 | 0 | | 249 | | 249 |
| Disposals | 0 | (6,626) | 0 | (3,140) | | (9,766) |
| Reclassification | 0 | (86) | 0 | 86 | 0 | 0 |
| Balance as at 30 June 2014 | 35,366 | 135,664 | 6,895 | 13,764 | 0 | 191,689 |

Carrying amounts

| | | | | | | |
|------------------------|---------|--------|-----|--------|-----|---------|
| As at 31 December 2013 | 107,608 | 33,949 | 402 | 10,712 | 112 | 152,783 |
| As at 30 June 2014 | 106,411 | 30,920 | 451 | 8,863 | 0 | 146,645 |

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

The increases as at 30 June 2014, in the amount of Euro 4,059 thousand, mainly relate to:

- "Land and buildings", in the amount of Euro 345 thousand, relate mainly to improvements to buildings and other structures at the Ippodromo del Galoppo [galloping racetrack in Milan];
- the plant and machinery in the amount of Euro 3,211 thousand as follows: Euro 326 thousand of electrothermal and electric installations, Euro 2,458 thousand of technology provided free of charge to the points of sale, Euro 56 thousand of hardware and interconnection networks for the points of sale, Euro 130 thousand to radio links, Euro 9 thousand to broadcasting, synchronism and control equipment, Euro 29 thousand to implementation of a gallop directing plant and for Euro 203 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and to other plant and equipment necessary for the conduct of the various business operations of the Group companies;
- industrial and commercial equipment of Euro 115 thousand relative to the equipment for the group's racetracks;
- other assets of Euro 388 thousand consisting of: Euro 325 thousand to furnishings and fittings provided free of charge to the points of sale and to the betting shops managed directly by the Group, for Euro 63 thousand to head office furnishings and fittings and other assets.

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

Leasing

The Group has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various points between now and June 2017. These agreements include redemption and/or extension clauses.

The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a historic cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an amortization provision, as at 30 June 2014, of Euro 934 thousand.

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

| thousands of Euro | Total |
|---|-------|
| Aggregate profit/(loss) at 30.6.2014 | 2,516 |
| of which | |
| Payments falling due within 12 months | 1,589 |
| Payments falling due between 1 to 5 years | 927 |
| Payments falling due after 5 years | - |
| Redemption | 951 |

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

15. Intangible assets

Intangible fixed assets as at 30 June 2014 amounted to Euro 348,987 thousand (Euro 366,823 thousand). The change over the period is due to the combined effect of amortisation for the period for Euro 20,042 thousand, net disposals for Euro 1 thousand, reclassifications of property, plant and equipment for Euro 5 thousand and investments of Euro 2,212 thousand.

| thousands of Euro | Goodwill | Concession s, licenses, trademarks and similar rights | Industrial patent rights and use of intellectual property | Other | Assets under construc tion | Total |
|-------------------|----------|---|--|-------|-------------------------------------|-------|
|-------------------|----------|---|--|-------|-------------------------------------|-------|

Cost

Balance as at 31 December 2013

| | | | | | | |
|------------------|----------------|----------------|---------------|---------------|--------------|----------------|
| | 231,605 | 252,958 | 14,461 | 15,593 | 2,085 | 516,702 |
| Reclassification | | 890 | 0 | 336 | (1,231) | (5) |
| Other increases | | 1,233 | 241 | 231 | 507 | 2,212 |
| Decreases | 0 | 0 | 0 | (5) | 0 | (5) |

Balance as at 30 June 2014

| | | | | | | |
|--|----------------|----------------|---------------|---------------|--------------|----------------|
| | 231,605 | 255,081 | 14,702 | 16,155 | 1,361 | 518,904 |
|--|----------------|----------------|---------------|---------------|--------------|----------------|

Amortisation and impairment write-down

Balance as at 31 December 2013

| | | | | | | |
|---------------------|-----------|----------------|---------------|---------------|----------|----------------|
| | 74 | 127,366 | 11,910 | 10,529 | 0 | 149,879 |
| Annual amortisation | | 18,565 | 526 | 951 | | 20,042 |
| Write-downs | | 0 | 0 | 0 | | 0 |
| Disposals | | 0 | 0 | (4) | | (4) |
| Reclassification | | 0 | 0 | 0 | | 0 |

Balance as at 30 June 2014

| | | | | | | |
|--|-----------|----------------|---------------|---------------|----------|----------------|
| | 74 | 145,931 | 12,436 | 11,476 | 0 | 169,917 |
|--|-----------|----------------|---------------|---------------|----------|----------------|

Carrying amounts

| | | | | | | |
|------------------------|---------|---------|-------|-------|-------|---------|
| As at 31 December 2013 | 231,531 | 125,592 | 2,551 | 5,064 | 2,085 | 366,823 |
| As at 30 June 2014 | 231,531 | 109,150 | 2,266 | 4,679 | 1,361 | 348,987 |

The historic cost and relative accumulated amortisation of concessions, licenses, trademarks and similar rights have been adjusted as at 31 December 2013 by the value of the expired concessions in the amount of Euro 174,554 thousand.

The investments of Euro 2,212 thousand mainly concern:

- "concessions, licenses, trademarks and similar rights": Euro 1,233 thousand, of which Euro 405 thousand refer to incentives for the signature of the new management contract; Euro 560 thousand the issuing of the AWP authorisation and Euro 268 thousand to VLT software operating programmes;
- "Industrial patents and intellectual property rights": Euro 241 thousand, of which Euro 85 thousand, for licenses for operating programmes for administration, finance and control and Euro 156 thousand for licenses for virtual games;
- "other": Euro 231 thousand, of which Euro 134 thousand for the implementation of software programs for the management of bets, Euro 89 thousand for the implementation of software operating programs and Euro 8 thousand for the VOD portal for the Unire project;
- "Assets under construction", amounting to Euro 507 thousand, of which: Euro 462 thousand for internally generated software which has not been completed, Euro 3 thousand for the New Concept Store and Euro 42 thousand for the issuing of the AWP machine authorisation.

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

Goodwill amounts to Euro 231,531 thousand, and is allocated to the following cash generating units (CGUs):

- Euro 219,951 thousand to the "Concessions" GCU, of which Euro 219,241 thousand was generated through acquisition of the concessions business units as from 16 March 2006 and Euro 710 thousand generated by the business combination by acquisition of the shareholding in "Agenzia Ippica Monteverde S.r.l." (now merged into SNAI S.p.A.). This CGU is represented by the business related to the sport and horse betting concessions, to the concession for the management and operation of the network for the online management of legal entertainment machines and the related assets and functions (slot machines - AWP and video-lottery - VLT) and activities related to skill games, bingo and casino games;
- Euro 11,137 thousand to the "Betting Services" CGU, contributed by SNAI Servizi Spazio Gioco S.r.l., merged into SNAI S.p.A. in 2002, consisting of the operations connected with the electronic services supplied to betting acceptance points;
- Euro 443 thousand contributed by Teleippica S.r.l. and referring to the Television Services CGU, consisting in the operations related to television services.

In accordance with international accounting standards, and in particular with IAS 36, goodwill is subjected to impairment testing on an annual basis, as at 31 December each year, or more frequently in the presence of indication of possible permanent losses in value.

If the test shows a loss of value, the Group recognises a write-down on the balance sheet.

No events or changes occurred during the first six months of 2014 which might have required impairment testing on goodwill.

16. Shareholdings

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

| | Value in accounting statement as at | | Percentage held | |
|---|-------------------------------------|--------------|-----------------|------------|
| | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 |
| thousands of Euro | | | | |
| <i>Affiliates and subsidiaries that are not fully consolidated</i> | | | | |
| - Hippogroup Roma Capannelle S.p.A. | 1,089 | 1,525 | 27.78 | 27.78 |
| - Alfea S.p.A. | 1,285 | 1,289 | 30.70 | 30.70 |
| - Connex S.r.l. | 45 | 49 | 25 | 25 |
| - Solar S.A. | 3 | 3 | 30 | 30 |
| - Teseo S.r.l. under liquidation | 0 | 0 | 70 | 70 |
| Total shareholdings measured using the equity method | 2,422 | 2,866 | | |

Other

| | | | | |
|-----------------------------------|----|----|------|------|
| - Tivu + S.p.A. under liquidation | 0 | 0 | 19.5 | 19.5 |
| - Lexorfin S.r.l. | 46 | 46 | 2.44 | 2.44 |

| | | | | |
|---|-----------|-----------|--|--|
| Total shareholdings in other companies | 46 | 46 | | |
|---|-----------|-----------|--|--|

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

17. Deferred tax assets and deferred tax liabilities

The aggregate amount of the temporary differences and tax losses carried forward are set forth in the following tables, together with the theoretical amount of deferred tax assets and liabilities, and the amounts in the consolidated accounts. The Group is showing deferred tax assets and deferred tax liabilities which when netted amount to deferred tax assets of Euro 22,587 thousand (that amount being net of deferred tax liabilities, as at 31 December 2013, of Euro 21,411 thousand).

| Temporary differences | Amount | Rate | Tax impact | Advances posted | Period of reversal |
|--|----------------|-----------------|---------------|-----------------|--------------------|
| Taxed provision for doubtful debts | 47,357 | 27.5% | 13,023 | 13,023 | 2014 and following |
| Provision for risks | 10,399 | 27.50% - 32.22% | 3,342 | 3,342 | 2014 and following |
| Provision for inventory depreciation | 252 | 27.50% - 32.22% | 79 | 79 | 2014 and following |
| Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets | 3,773 | 27.50% - 32.22% | 1,179 | 1,179 | 2014 and following |
| Interest Rate Swap | 4,395 | 27.5% | 1,209 | 1,209 | 2014 and following |
| Interest expense not deducted as per art. 96 of Tuir | 74,411 | 27.5% | 20,463 | 20,463 | 2014 and following |
| Other temporary differences | 1,318 | 27.5% | 363 | 363 | 2014 and following |
| Total | 141,905 | | 39,658 | 39,658 | |

| Total Tax loss that can be carried forward | Amount | Rate | Tax impact | Gains posted | Usable before: |
|--|----------------|-------|---------------|---------------|---|
| SNAI S.p.A.: | | | | | |
| Fiscal year 2008 | 17,895 | 27.5% | 4,921 | 4,921 | eligible for being carried forward indefinitely |
| Fiscal year 2009 | 10,200 | 27.5% | 2,805 | 2,805 | eligible for being carried forward indefinitely |
| Fiscal year 2010 | 29,060 | 27.5% | 7,992 | 7,992 | eligible for being carried forward indefinitely |
| Fiscal year 2011 | 27,186 | 27.5% | 7,476 | 7,476 | eligible for being carried forward indefinitely |
| Fiscal year 2012 | 34,422 | 27.5% | 9,466 | 9,466 | eligible for being carried forward indefinitely |
| Fiscal year 2013 | 75,454 | 27.5% | 20,750 | 3,425 | eligible for being carried forward indefinitely |
| Half-year I 2014 | 8,528 | 27.5% | 2,345 | 2,345 | eligible for being carried forward indefinitely |
| Total prior losses | 202,745 | | 55,755 | 38,430 | |
| Total Deferred tax assets | | | | 78,088 | |

The changes in prepaid tax assets:

| | 31.12.2013 | allocations | uses | 30.06.2014 |
|--------------------|-------------------|--------------------|-------------|-------------------|
| Prepaid tax assets | 75,086 | 6,218 | (3,216) | 78,088 |

As at 30 June 2014, the directors of SNAI S.p.A. confirmed the assessment of recoverability of the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss resulting from the national tax consolidation scheme. The above-mentioned recoverability is based on the predictions of future positive results in the business plans.

Note the recognition of deferred tax assets in the amount of Euro 2,345 thousand on the tax loss resulting from the tax consolidation.

Note that the Company recognised deferred tax assets in the amount of Euro 3,425 thousand on the tax loss resulting from the tax consolidation for 2013, against recordable benefits of Euro 20,750 thousand. In fact, despite the fact that the Tax Authorities accepted the appeal submitted by the parent company regarding the deductibility for IRES (Corporate Income Tax) purposes of the amounts paid by SNAI S.p.A. for resolution of the Euro 63,000 dispute with the AAMS within the Court of Auditors, the directors of the company did not recognise the prepaid taxes on this amount as they wish to assess the extent to which they can be recovered at the end of the year, based on updated forecast data.

It is worth noting that total receivables on tax losses amount to Euro 38,430 thousand.

The "difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets", of Euro 3,773 thousand with tax effect of Euro 1,179 thousand, relates mainly to leasing contracts stipulated in 2007 and prior years (Euro 2,638 thousand with tax effect of Euro 850 thousand).

We reiterate here that for the three year period 2013-2015, the adherence to the national tax consolidation scheme pursuant to articles 117 et seq. of Presidential Decree 917/1986 with the consolidated company Trenno S.r.l, and, for the three year period from 2012 to 2014, the tax consolidation with the companies Festa S.r.l., Immobiliare Valcarenga S.r.l. and Teleippica S.r.l is still in force.

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

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

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

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

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

The consolidated companies' tax liability with respect to the Inland Revenue Office remains in effect if a higher taxable income for the parent company is assessed as a result of miscalculations in the taxable income reported by the consolidated companies.

| Temporary differences | Amount | Rate | Tax impact | Deferred |
|--|------------------|-----------------|-------------------|-----------------|
| Tax amortisation of goodwill | (10,982) | 27.50% - 32.22% | (3,366) | (3,366) |
| Post-employment benefits | (3) | 27.5% | (1) | (1) |
| Tax amortisation of goodwill on betting agencies | (124,019) | 27.50% - 32.22% | (38,964) | (38,964) |
| Difference between the carrying amount and the fiscal value of property, plant and equipment | (40,752) | 27.50% - 32.22% | (13,102) | (13,102) |
| Other temporary differences | (247) | 27.50% - 32.22% | (68) | (68) |
| Total deferred taxes | (176,003) | | (55,501) | (55,501) |

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

| | 31.12.2013 | allocations | uses | 30.06.2014 |
|------------------------------|-------------------|--------------------|-------------|-------------------|
| Provision for deferred taxes | 53,675 | 2,191 | (365) | 55,501 |

Directors of SNAI S.p.A. have decided, in accordance with IAS 12, to record the deferred tax liabilities generated by all of the temporary differences between the carrying values and the fiscal values of the related assets/liabilities. In particular, the business segments acquired, are considered business combinations and therefore are recorded using the acquisition method specified by IFRS 3.

SNAI S.p.A. has accordingly recognised the identifiable assets and liabilities at fair value at the acquisition date, and it recorded goodwill only after having allocated the acquisition cost as described above.

Goodwill is not subject to amortisation but to impairment review on at least an annual basis: amortisation for tax purposes is governed by Art. 103, par. 3 of Presidential Decree 917/1986, which gives rise to deferred tax liabilities.

The "difference between the carrying amount and the fiscal value of property, plant and equipment" of Euro 40,752 thousand with tax impact of Euro 13,102 thousand relates mainly to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 38,341 thousand with tax impact of Euro 12,354 thousand).

18. Inventories

Relative to 31 December 2013, inventories increased by Euro 635 thousand. The composition of the "Inventories" item is shown below:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|--------------------------|-------------------|-------------------|---------------|
| Raw materials | 23 | 24 | (1) |
| Work in progress | 8 | 8 | 0 |
| Finished products/goods | 663 | 1.297 | (634) |
| Total | 694 | 1.329 | (635) |

The value of inventories is shown net of the provision for inventory depreciation, which, as at 30 June 2014, amounted to Euro 252 thousand (compared with Euro 273 thousand as at 31 December 2013). The following table shows the changes in the provision for inventory depreciation.

| | 31.12.2013 | Allocations | Uses | 30.06.2014 |
|---|-------------------|--------------------|-------------|-------------------|
| Provision for inventory depreciation | | | | |
| Raw materials | 92 | 0 | 0 | 92 |
| Work in progress | 3 | 0 | 0 | 3 |
| Finished products/goods | 178 | 0 | (21) | 157 |
| Total | 273 | 0 | (21) | 252 |

19. Trade receivables

The trade receivables are broken down as follows:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|--|-------------------|-------------------|---------------|
| Trade receivables | | | |
| - from customers | 103,033 | 101,982 | 1,051 |
| - from foreign customers | 19 | 19 | 0 |
| - from MIPAAF (former Assi absorbed by MIPAAF) | 18,648 | 17,152 | 1,496 |
| - from stables, jockeys and bookies | 852 | 1,402 | (550) |
| - from parent Global Games S.p.A. | 0 | 6 | (6) |
| - actual assets at collection and in portfolio | 1,704 | 1,148 | 556 |
| - receivables write-down provisions | (44,810) | (46,105) | 1,295 |
| Total | 79,446 | 75,604 | 3,842 |

Trade receivables included the balances as at 30 June 2014 due from operators for accepting bets (Bets and ADIs), net of the compensation due to those operators.

Trade receivables from customers also include the receivables subject to legal action of SNAI S.p.A. in the amount of Euro 44,085 thousand (Euro 46,055 thousand).

Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture), amounted to Euro 18,648 thousand and include:

- Euro 4,644 thousand for receivables from the Società Trenno S.r.l. Of the above amount, Euro 1,744 thousand are related to amounts accrued as at 30 June 2014 regarding fees for the management of racetracks, the remaining amount, equal to Euro 2,900 thousand relates to receivables from MIPAAF regarding grants for the development and upgrading of city racetracks as well as to amounts to be received for the 2000 Investment Provision for works carried out at the horse racetracks in Milan and Montecatini, net of prior grants amounting to Euro 484 thousand;
- Euro 14,004 thousand, related to the agreement made by Teleippica S.r.l. for transport services, the processing and transmission of video and audio signals from domestic and foreign racetracks, and the production and transmission of the UNIRE BLU channel dedicated to sales points for the acceptance of "national" horse betting; daily presentation and broadcast of programmes and other connected services.

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

20. Other assets

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

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|--|--------------|--------------|--------------|
| Other non-financial assets | | | |
| <i>Tax receivables</i> | | | |
| - from Inland Revenue Office for tax refund | 62 | 62 | 0 |
| - from Inland Revenue Office for taxes under dispute | 114 | 114 | 0 |
| - from Inland Revenue Office for taxes on assets | 54 | 54 | 0 |
| | 230 | 230 | 0 |
| <i>Receivables from others:</i> | | | |
| - guarantee deposits | 1,687 | 1,673 | 14 |
| | 1,687 | 1,673 | 14 |
| Trade receivables: | | | |
| - assets/valuables in portfolio | 333 | 510 | (177) |
| | 333 | 510 | (177) |
| Total Other non-financial assets | 2,250 | 2,413 | (163) |

The increase in guarantee deposits comprise, inter alia, Euro 500 thousand related to the deposit paid to the company P4Pay S.r.l. for the guarantee on the PostePay cards, and Euro 500 thousand deposited in court, in favour of a customer, as a result of the malfunction of the VLT Barcrest platform. For further details, please refer to the section "Disputes brought by customers claiming to hold "alleged" winning tickets as a result of the malfunctioning of the VLT Barcrest platform", included in Note 28.

Other current assets are composed as follows:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|--|--------------|--------------|-------------|
| Other current receivables | | | |
| <i>Tax Receivables:</i> | | | |
| - from Inland Revenue Office for IRES down payment /credit | 657 | 657 | 0 |
| - from Inland Revenue Office for IRAP down payment/credit | 896 | 1,121 | (225) |
| - from Inland Revenue Office for VAT | 483 | 483 | 0 |
| - Other tax receivables | 646 | 510 | 136 |
| | 2,682 | 2,771 | (89) |

Receivables from others:

| | | | |
|---|---------------|---------------|----------------|
| - Entertainment machines guarantee deposit | 6,878 | 14,064 | (7,186) |
| - Advance concession payment to AAMS | 2,137 | 1,208 | 929 |
| - Receivables from AAMS for winnings on National Horse Races | 40 | 105 | (65) |
| - Guarantee deposit for remote gaming (Skill/Bingo) | 347 | 252 | 95 |
| - Receivables from Skill Games | 100 | 41 | 59 |
| - Other receivables from Betting Acceptance Points | 143 | 139 | 4 |
| - Receivables for previous positions from concession granting entities | 327 | 296 | 31 |
| - Receivables from undue payment of interest and sanctions on flat-rate gaming tax (PREU) | 2,114 | 2,114 | 0 |
| - Receivables from reimbursement of fees on guarantee | 15 | 16 | (1) |
| - Receivables from Bluline electronic exchange | 226 | 226 | 0 |
| - Social security entities | 231 | 153 | 78 |
| - Sundry receivables | 2,593 | 3,478 | (885) |
| - Provision for doubtful debts from others | (2,085) | (2,145) | 60 |
| | 13,066 | 19,947 | (6,881) |
| <i>Adjustment accounts</i> | | | |
| - Accrued income | 16 | 16 | 0 |
| - Prepayments | 3,402 | 3,953 | (551) |
| | 3,418 | 3,969 | (551) |
| Total other current assets | 19,166 | 26,687 | (7,521) |

The entertainment machines guarantee deposit of Euro 6,878 thousand (Euro 14,064 thousand) is equivalent to 0.5% of the turnover generated by the entertainment machines (AWP and VLT) as described in greater detail in Note 4 "Revenues from sales and services". Euro 14,053 thousand related to 2013 ADI guarantee deposit, were cashed on 22 April 2014.

The Advance concession payment to AAMS, of Euro 2,137 thousand, includes the fixed amounts paid in advance to AAMS for the first half of 2014 and relates to the concession fee for horse race and sports betting and for online gaming. For further details reference is made to Note 9.

Among the prepaid expenses, the table shows:

- Euro 2,501 thousand (compared to Euro 3,112 thousand), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for fun and entertainment devices;
- Euro 901 thousand (compared to Euro 841 thousand), principally related to costs of maintenance and assistance contracts, etc., that have not yet accrued.

21. Financial Assets

The current financial assets consist of the following:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|--|-------------------|-------------------|---------------|
| Non-current financial assets | | | |
| Option rights | 245 | 0 | 245 |
| AWP Deposits | 231 | 0 | 231 |
| Total non-current financial liabilities | 476 | 0 | 476 |
| Current financial assets | | | |
| Dedicated bank accounts | 0 | 6 | (6) |
| Escrow accounts and unavailable balances | 19,452 | 19,407 | 45 |
| Shares in former Società Fiorentina Corse Cavalli for exchange | 1 | 1 | 0 |
| Total current financial assets | 19,453 | 19,414 | 39 |

The non-current financial assets consist of:

- The option right for the purchase of 51% of the share capital of House Bet S.r.l., incorporated on 25 July 2013 to manage the gaming collection of entertainment machines installed in a games room. The purchase price of the option

right amounted to Euro 245 thousand. In the event the purchase option is exercised, this amount will be deducted from the purchase price upon execution of the shareholding transfer deed. The option right is an equity instrument measured at cost, according to IAS 39, paragraph 46, by reason of the fact that there is no price on any active listed market and fair value cannot be reliably determined because this is a newly incorporated company.

- The AWP deposits of Euro 231 thousand relative to the contract with the sector operator.

The escrow accounts were opened by the Parent Company in order to manage the sums arising out of the netting between the amounts receivable from AAMS under the Di Majo award, and the liabilities for the collection of bets, due every 15 days (the "former ASSI fifteen-days payments"). The balances of these bank current accounts are unavailable while waiting for AAMS's decisions after the judgement of the Milan Court of Appeal of 21 November 2013, which stated that the arbitration award issued on 26 May 2003 (known as "Di Majo Award") was void and ineffective.

The unavailable amounts on bank current accounts relate to amounts which are temporarily unavailable because of enforcement order of third party's claims; it is noted that such amounts involve attachments applied to various bank current accounts on the basis of the same enforcement order.

The option right, the escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 39).

22. Cash and cash equivalents

The cash and cash equivalents are composed as follows:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|--------------------------------------|-------------------|-------------------|---------------|
| Bank accounts | 63,342 | 45,284 | 18,058 |
| Postal deposits | 7 | 9 | (2) |
| Cash on hand | 223 | 206 | 17 |
| Cash on hand | 63,572 | 45,499 | 18,073 |
| Bank overdrafts | 0 | 0 | 0 |
| Net cash and cash equivalents | 63,572 | 45,499 | 18,073 |

To optimise the yield from cash, SNAI S.p.A. made a time deposit generating a higher return.

23. Shareholders' Equity

The share capital of the parent company, SNAI S.p.A., as at 30 June 2014, entirely subscribed and fully paid up, amounted to Euro 60,748,992.20 (60,748,992.20 as at 31 December 2013), and is comprised of 116,824,985 ordinary shares (116,824,985 ordinary shares as at 31 December 2013).

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

| | |
|---|-------------|
| authorised number of shares | 116,824,985 |
| number of shares issued and fully paid up | 116,824,985 |
| par value per share (in Euro) | 0.52 |

The number of shares and share capital are unchanged with respect to 31 December 2013.

The shares issued are all ordinary shares.

The parent company SNAI S.p.A. does not hold treasury shares, neither directly or through its subsidiaries or affiliates.

Reserves

Legal Reserve

The legal reserve amounts to Euro 1,559 thousand.

Share premium reserve

The share premium reserve of Euro 13,946 thousand, was established with the share capital increase resolved on 14 September 2006 and concluded on 15 January 2007; the latter consists of Euro 219,535 thousand decreased by the ancillary expenses and net of the tax effect relative to the share capital increase of Euro 8,216 thousand, as allowed by IAS 32. Euro 103,037 thousand was used to cover a portion of the loss for the year in 2010, the losses for the year in 2011 and 2012 and Euro 94,336 to cover the losses for the year 2013 as resolved by the shareholders' meeting held on 29 April 2014.

Cash Flow Hedge Reserve

The cash flow hedge reserve was negative for Euro -3,186 thousand and consisted of derivatives being taken directly to the shareholders' equity (see Note 35).

Post-employment benefit reserve (IAS 19)

The post-employment benefit reserve (IAS 19) is negative for Euro -432 thousand and is formed by recognition of actuarial gains/losses as at 31 December 2013.

Profit (loss) carried forward

Profit (loss) carried forward amounted to Euro 773 thousand and show movements over the year due to the difference between the loss of the parent company (Euro 94,336 thousand) and the loss of the Group (Euro 94,530 thousand).

Shareholders' Equity pertaining to minority interests

As at 30 June 2014, minority interest show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

24. Other comprehensive income/(loss)

The other components of comprehensive income relate to the recognition of derivatives directly in cash flow hedge reserve in shareholders' equity (for further detail see Notes 35).

The following table show details of the components of other comprehensive income.

| QII | | | Half-year I | |
|------------|--------------|---|--------------|--------------|
| 2014 | 2013 | | 2014 | 2013 |
| | | Hedge derivatives: | | |
| 733 | 1,816 | Net (loss)/profit from derivatives as cash flow hedges | 1,465 | 3,436 |
| (202) | (500) | Tax impact | (403) | (945) |
| 531 | 1,316 | Hedge derivatives | 1,062 | 2,491 |
| 531 | 1,316 | Total Comprehensive Profit/(loss) for the period | 1,062 | 2,491 |

25. Earnings per share

Basic earnings per share

The calculation of the basic earnings/loss per share as at 30 June 2014 was made taking into consideration the loss attributable to the holders of ordinary shares, for Euro 6,972 thousand (31 December 2013: loss of Euro 94,530 thousand) and the weighted average number of outstanding ordinary shares during the period ended 30 June 2014, equal to 116,824,985 shares (31 December 2013: 116,824,985).

The calculation was made in the following manner:

| in thousands | 30.06.2014 | 31.12.2013 | 30.06.2013 |
|---|---------------|---------------|---------------|
| Gain/(loss) attributable to holders of ordinary shares = gains for fiscal year of group (a) | (6,972) | (94,530) | (4,271) |
| Average weighted number of ordinary shares /1000 (b) | 116,824,99 | 116,824,99 | 116,824,99 |
| Basic earnings/(loss) per share (a/b) | (0.06) | (0.81) | (0.04) |

Diluted earnings/(loss) per share

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

26. Post-employment benefits

The Post-employment benefits as at 30 June 2014 amounted to Euro 4,300 thousand against Euro 4,387 thousand as at 31 December 2013.

The following table shows the movements therein:

| | |
|---------------------------------|--------------|
| Balance as of 1.1.2014 | 4,387 |
| Accruals | 43 |
| Utilisation | (190) |
| Financial expenses | 60 |
| Balance as of 30.06.2014 | 4,300 |

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

27. Financial liabilities

The financial liabilities are comprised of the following:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|---|-------------------|-------------------|-----------------|
| Non-current financial liabilities | | | |
| Bond loan | 462,166 | 479,214 | (17,048) |
| Due for financial leasing | 1,569 | 2,174 | (605) |
| Total other non-current liabilities | 463,735 | 481,388 | (17,653) |
| Current financial liabilities | | | |
| Current portion of long-term borrowings – Bond loan | 19,095 | 0 | 19,095 |
| Due for financial leasing | 1,532 | 3,764 | (2,232) |
| Due for interest on bond loans | 2,480 | 3,661 | (1,181) |
| Due to banks | 38 | 40 | (2) |
| Due to "Betting Acceptance Points" for the purchase of horse race and sports Concessions business units | 42 | 42 | 0 |
| Total current financial liabilities | 23,187 | 7,507 | 15,680 |

The financial liabilities include:

- The bond loans stipulated on 8 November and 4 December 2013 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 481,261 thousand, (nominal value of Euro 500,000 thousand) and stated net of direct ancillary charges. These ancillary charges, totalling Euro 21,438 thousand, include professional fees related to the stipulation of the contracts, as well as the tax payable on the assumption of the loan, whose Euro 2,375 thousand have been charged to the income statement for the first half of 2014;
- financial liabilities for financial lease contracts, totalling Euro 3,101 thousand, mainly relate to the residual balances on contract for the acquisition of a building situated in Porcari (Lucca) and of technology for use in bet collection sales points, described in greater detail in Note 14, "Property, plant and equipment";

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

On 8 November 2013, SNAI S.p.A. entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds ("Facility A" and "Facility B"), the issue of which was resolved on 5 November 2013 by SNAI S.p.A.'s Board of Directors. The "Facility A" bonds, issued in the amount of Euro 15,000 thousand, were repaid on 4 December 2013.

The "Facility B" bonds, issued in the amount of Euro 20,000 thousand, featured the following characteristics:

- issue price: equal to 96% of the nominal value;
- maturity date: 18 months from issue except advance reimbursement and redemption provisions as set out by the regulation on the Bond Loan;
- coupon (quarterly): 3-month Euribor + 800 bps (with quarterly increase of further 50 bps until maturity, up to 1000 bps maximum).

The regulation regarding Bond Loans, governed under the British law, provides that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the expiration or the advanced redemption of bonds, as well

as restrictions in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advance redemption of bond/notes. The bonds/notes are not listed on any regulatory market nor in any Italian and EU multilateral systems for negotiations.

On 4 December 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics:

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

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

Also on 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving Facility had not been used as at 30 June 2014.

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

A summary of Bonds/Notes and Credit Facilities is shown in the following table:

amounts in thousands of Euro

| Financial payables | Amount of loan | Duration | Interest period | Due date | Repayment method | Date | Disbursed amount |
|---------------------------|-----------------------|----------------------|------------------------|-----------------|--|-------------|-------------------------|
| Senior Secured Notes | 320,000 | 4 years and 6 months | 6 months | 15.06.2018 | Bullet | 04.12.2013 | 320,000 |
| Senior Subordinated Notes | 160,000 | 5 years | 6 months | 15.12.2018 | Bullet | 04.12.2013 | 160,000 |
| Facility B bonds | 20,000 | 1 year and 6 months | 3 months | 08.05.2015 | Bullet | 08.11.2013 | 20,000 |
| Senior Revolving Facility | 30,000 | | 1, 3 or 6 months | 15.12.2017 | Each loan must be repaid on the last day of the Interest Period, During the availability period, the amounts repaid may be reused, | | - |
| Total | 530,000 | | | | Total amount disbursed as of 30.06.2014 | | 500,000 |

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

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

This 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 SNAI considers an unfavourable outcome in the proceedings to be simply possible (namely, not probable) or where the amount of such a provision cannot be reliably estimated.

As at 30 June 2014, the provisions for risks and charges amounted to Euro 12,765 thousand; the changes in those provisions are detailed in the following table:

| thousands of Euro | Technological renewals | Tax disputes, litigations and contractual risks | Pension provision | Total |
|---------------------------------------|------------------------|---|-------------------|---------------|
| Balance as at 31 December 2013 | 3,009 | 13,608 | 0 | 16,617 |
| Provisions recognised over the period | 222 | 448 | 1 | 671 |
| Releases/uses of provisions | (2,591) | (1,932) | 0 | (4,523) |
| Balance as at 30 June 2014 | 640 | 12,124 | 1 | 12,765 |

Technological renewals

The provision for technological renewals consists of:

- Euro 460 thousand related to periodical allocations for technological upgrading, as provided for by the concession agreement for the construction and running of networks for the electronic management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931, and following amendments and supplements;
- Euro 180 thousand for estimated costs of technological upgrades in gaming terminals.

Tax disputes, litigations and contractual risks

The provision for risks for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 12,124 thousand.

The allocation for the period of Euro 448 thousand concerns: Euro 400 thousand for risks on 2013 PREU and Euro 48 thousand for charges related to companies in liquidation.

The utilisation for the period of Euro 1,932 thousand concerns: Euro 337 thousand for transactions with employees, Euro 598 thousand for legal expenses and Euro 997 thousand for transactions.

Disputes concerning the entertainment machines business: AAMS's objections for alleged breaches in the management of the remote network

In the month of June 2007, AAMS issued contractual penalty notices for the same amounts claimed in the same year by the public prosecutor at the Court of Auditors of the Lazio Region (this last proceeding has now been concluded following the Company's adhesion of the fast track option as per Art. 14 of Law Decree 102/2013).

The Company has lodged an appeal with the Regional Administrative Court (TAR) contesting the AAMS decisions.

The TAR firstly suspended their enforceability and then declared them null and void through ruling no. 2728 of 1 April 2008, now res judicata. As regards the first group of three objections - regarding the alleged delay in start-up, activation and running of the Network - AAMS issued the related penalties with notices 33992/Giochi/UD on 2 September 2008, 38109/Giochi/UD on 1 October 2008, and 40216/Giochi/UD on 16 October 2008, for a total amount of over 2 million Euro, served to SNAI, which objected these proceedings before the Lazio Regional Administrative Court (TAR). The related administrative judgement was favourable to SNAI as the State Council declared the orders to pay the first three penalties null and void.

In its memorandum 2011/6303/Giochi/ADI of 22 February 2011, AAMS formally resumed the proceedings to enforce its fourth penalty for the alleged failure to comply with the specified service level of the Gateway in the period between July 2005 and March 2008, when the above-described contractual addendum eliminated that provision for the future.

On the basis of the data and criteria developed by the Technical Committee referred to above, and in compliance with the annual ceiling introduced with the last addendum to the contract, AAMS imposed the penalty in question on SNAI S.p.A., which it calculated as a total of Euro 8,480,745.00 (reduced to Euro 7,463,991.85 to meet the reduced ceiling for the year 2005 on the assumption that the Council of State confirms the first three penalties).

SNAI, as a result of partial access to the computer database compiled by SOGEI S.p.A., with its brief of 8 June 2011, nevertheless made point-by-point defensive arguments concerning the method and substance, the reliability and correctness of the charges, reserving the right to expand on those arguments upon gaining complete access to the records.

On 28 September 2011 access to the information was supplemented by remote queries via the access gateway.

The information extracted is covered in the technical opinion of Prof. Listanti, which formed the basis for the drafting of a supplementary brief filed with AAMS on 27 October 2011.

With memorandum no. 2012/7455/Giochi/ADI dated 17.2.2012 and received on following 27 February, the AAMS imposed on SNAI the penalty under Article 27 (3) (b) of the Concession Agreement in conjunction with Annex 3 (2), for a total amount of Euro 8,5 million.

On 27 April 2012, SNAI filed notice of appeal to challenge that measure before the Administrative Court, with a request to declare it null and void, while suspending its enforceability pending the final decision.

On 24 May 2012, the Second Section of the Lazio Regional Administrative Court, by virtue of its order no. 1829/2012, suspended the enforceability of the fourth penalty at scheduled the trial on the merits for 20 February 2013.

On 20 February 2013, the hearing was held, and on 17 June 2013, ruling no. 6028/2013 was deposited. With this sentence the Second Section of the Lazio Regional Administrative Court (TAR) upheld SNAI's appeal and, consequently, annulled the AAMS penalty.

On 28 January 2014, SNAI was served with the notice of ADM's appeal against the ruling no. 6028/2013.

On 28 March 2014, SNAI filed a memorandum and a cross-appeal only to the ruling no. 6028/2013 which is unfavourable to the company.

In view of the above, and on the basis of its legal advisers opinions, the Group considers the risk of a negative outcome regarding AAMS's claims as no more than possible.

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

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

By Decree of the President of the Lazio Section of the Court of Auditors the reporting trial has been resumed and a deadline set for the related filing. In its defensive brief, SNAI challenged the status ascribed to it, since it does not handle public money subject to the PREU tax. On 27 April 2010 the Regional Prosecutor sent a summons for a hearing to sentence SNAI S.p.A. for non-reporting. The Court, at the preliminary for appearance and discussion held on 7 October 2010 regarding the penalty sought by the Prosecutor for the alleged delay in reporting, heard the arguments for and against SNAI and the other concession holders who underwent the same proceeding.

The attorneys developed analytical arguments on the substantial lack of grounds of the demands of the investigating Prosecutor and argue that the Court should evaluate their requests for exoneration from responsibility for the delay in light of contemporary reporting procedures based on telematic communication of the data relevant to Sogei S.p.A. instead of applying the rules laid down for someone who "handled" public money in a historical era as far back as 1862.

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

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

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

On 3 July 2014, the aforementioned ruling was served to the company and a period of 30 (thirty) days was given for payment. The company will make the payment pursuant to the indicated terms and conditions.

In addition to the proceedings on the account rendering, in the course of 2012, the auditing trial was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court. At the hearing of 17 January 2013, the rapporteur referred, in support of their report, to an opinion provided to AAMS by the United Sections of the Court of Auditors, regarding the new form of court accounting, and the Court adjourned to 16 May 2013, placing copies of that opinion at the disposal of the parties. With ruling no. 448/2013, lodged on 14 June 2013, the Lazio Court of Auditors' Jurisdictional Section stated that the sentence on accounts was ineffective and its decision was transmitted to the Regional Prosecutor for assessing any possible administration liabilities.

SNAI will appeal the ruling.

In the opinion of legal advisers the risk of losing can be described as remote; in keeping with that conclusion, the directors have recognised a provision only for the estimated legal costs of the technical defence.

Malfunctioning of the Barcrest VLT platform (16 April 2012)

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

As a result of that episode - and as a result of the AAMS order to block the system - SNAI S.p.A. immediately blocked access to the Barcrest System to perform the necessary verifications and inspections since the aforementioned date, since 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 16 April 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.

In particular, as at 30 June 2014, 91 proceedings had been filed, including 10 interim orders that were temporarily enforceable, are as follows:

- in two cases, the gamers obtained an award of about Euro 500,000.00. In one of these cases SNAI obtained the suspension of the interim order's enforceability and applied for a preservation order over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the temporary enforceability was suspended with SNAI's payment to the court of Euro 500,000.00;
- in the remaining seven cases, temporary enforceability was suspended pending summary examination of the substantive case, In five of those, the enforcement procedure started was i) discontinued in one case, ii) suspended in three cases, iii) still pending in another case.

It should be also pointed out that

- i) the statute of limitations in one case has in the meantime expired due to inactivity on the part of the player.
- ii) An interim order, which is not temporarily enforceable, was revoked after the objection that was filed by SNAI related to the ruling no. 307/2014 issued by the Court of Macerata and filed on 20 March 2014.

In all of the above proceedings, SNAI has and will appear before the Court to challenge the claims for payment based on arguments of fact and law, since, as has already been communicated to the market and to the relevant Regulatory Authority, no "jackpot" was validly obtained at any time during the day of 16 April 2012. In light of the considerations set forth above and the opinions of our own legal advisers, the managers consider that the risk of the Company losing may be classified as merely possible.

During 2012, SNAI sued Barcrest and its parent company for compensation for all types of damage and losses resulting from the malfunctioning on 16 April 2012. The summoned companies appeared before the Court to challenge SNAI's claims and requested the payment of alleged amounts receivable and of damages to be determined in the course of the proceedings. The first hearing, following the various postponements, was set for 27 November 2014.

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

AAMS has, through 107 different decisions, given notice of the revocation of the authorization, and the expiry/termination of rights, for failure to activate and/or unauthorized suspension of gaming (with reference to 107 rights assigned to SNAI further to the "Bersani" tender procedure) and with reference to other three rights, AAMS has given notice of start of proceedings for the revocation of authorization and termination of the right (with reference to 3 rights assigned to SNAI further to the "Bersani" tender procedure). The Company promptly brought the matter before the Lazio Regional Administrative Court.

The issues have not yet been settled. On the basis of the legal advice obtained, and in light of the uncertain nature of disputes in this area, SNAI considers risk of losing these lawsuits to be possible.

Disputes related to the betting business: Guaranteed minimum service levels

It should be noted that SNAI received a number of notices from AAMS regarding the reduced level of transactions by certain horse racing and sports Concessions in the years 2007-2008 for which AAMS has requested the minimum guaranteed service fees as specified in the concession agreements. We report the latest developments regarding the various measures analysed by year of dispute.

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

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

A similar procedure was performed for the AAMS' demand for 2009 in relation to 204 horserace betting concessions for a total amount of Euro 7.4 million, against which an interim application was brought before the Lazio Regional

Administrative Court, with a view to accelerating resolution of the dispute.

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

Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by AAMS in view of the adoption of such safeguard measures.

It should also be noted, with regard to the minimum guaranteed amounts, that SNAI had complied with AAMS's request in relation to 2006, paying guaranteed minimums for an amount of Euro 2.4 million. The amount paid was posted under receivables from AAMS, as it is now considered recoverable; and the Parent Company has informed AAMS that it would be seeking to enforce its rights in all appropriate venues, in order to have a recalculation on an equitable basis of all the amounts requested, and an evaluation of the conduct of AAMS. Recently, upon the application of the Company and other concession holders, the Lazio Regional Administrative Court revoked AAMS's demands and requested the adoption of the "safeguard" measures, in view of the fact that with the Bersani tender procedure, and other subsequent tender procedures, the territorial exclusivity originally granted under some concessions, were no longer valid following the award of a large number of additional concessions for sport and horse bets.

Finally, also on the basis of notices sent by AAMS to another concession holder, starting from the first half of April 2011, the receivable of Euro 2,429 thousand for the abovementioned guaranteed minimum amounts related to the year 2006 paid by SNAI SpA to AAMS in prior years has been offset against current liabilities, connected to former ASSI amounts.

On 12 January 2012, AAMS notified 226 requests for payment of minimum guaranteed amounts supplemented by the following 2 requests addressed to the former Agenzia Ippica Monteverde S.r.l. - payment requests of minimum guaranteed amounts for the periods 2006-07-08-09-10 for a total amount of Euro 25,000 thousand on the assumption that the "safeguarding methods", previously not in place, had expressly been provided for by Article 38 (4) of Law Decree no. 223/06; it now became apparent, however, that it was impossible to adopt a standard for calculating minimum guaranteed amounts other than the standard that had already been repeatedly censured by several Lazio Regional Administrative Court rulings, some of which have now become *res judicata*. SNAI submitted an appeal to the Lazio Regional Administrative Court for the annulment of those orders after suspending their immediate enforceability pending the final ruling. The hearing for discussion of the interim application was set for 21 March 2012.

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

On 20 June 2012, AAMS served to SNAI, in addition to another notice served to the former Agenzia Ippica Monteverde S.r.l., 226 - payment requests for integrations to minimum guaranteed amounts for the periods 2006-07-08-09-10-11, for an aggregate amount of Euro 24.9 million.

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

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

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

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

Additional reasons have also been proposed for the further request of guaranteed minimum amounts in connection with the bet concession no. 426, similar to those previously contested, but which was notified by AAMS only on 7 August 2012. At the hearing scheduled for 5 December 2012, together with that already fixed in connection with the appeals against the previous orders to pay the minimum guaranteed amounts, the Court reserved the decision.

Through ruling no. 1054, deposited on 30 January 2013, the court's second section upheld SNAI's arguments concerning alleged violation of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered suspension of the

proceedings, and passed matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012 for lack of interest in the lawsuit.

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

With ruling no. 275 of 20 November 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, letter 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 6 June 2013, SNAI was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, for a total amount of Euro 3,328,018.72. As for previous notices, SNAI objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.

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

With its ruling 7323/2014 published on 10 July 2014, the Second Section of the Lazio Regional Administrative Court, based on the unconstitutionality of article 10, par. 5, letter b) of Law Decree 16/2012, cancelled the orders for the minimum guarantees for 2012, which had received an unreasonable "fair discount" of 5%.

The Company is now awaiting the publication of a similar ruling on the other lawsuit relative to the previous claims referring to 2006-2011, which were also taken over for ruling at the hearing of 6 June.

The Group, supported by the advice of its legal advisers, considers that the risk of losing in relation to the requests that have been brought by AAMS only to be possible, and consequently has made no provision for risk.

Penalties for exceeding the AWP quotas

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

Other Disputes

SNAI/Omniludo S.r.l.

- Lawsuit 4194/2007. The company Omniludo S.r.l. is suing SNAI, alleging a breach of obligations under an existing contract between the parties for the "management, maintenance and assistance by Omniludo S.r.l. for slot machines" (the "Contract of 29.06.2005", petitioning the court:

to declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated 29/6/2005; to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.

The case was investigated and the hearing was postponed to 10.12.2010 to allow for clarification of the pleadings and then postponed again ex officio to 17.06.2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (Case no. 4810/2010 (described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10).

By order of 10.02.2012, the Court lifted its reservation made at the hearing of 17.06.11 and the judge forwarded the case to the President of the section for combination of the lawsuits or the reassignment of lawsuit 4810/2010 to Dr. Capozzi who had investigated the first proceedings.

- Case 4810/2010. By the writ of summons served on 16.11.2010, SNAI S.p.A., in light of the grossly negligent breach of obligations under the Contract of 29.06.05, sued Omniludo S.r.l. before the Court of Lucca, petitioning the Court as follows:
 - 1) to find and declare Omniludo S.r.l. to be in breach of trust and of the obligations under the aforementioned contract;
 - 2) to find and declare the Contract of 29.06.2005 to be terminated on the grounds of Omniludo's serious breaches of its contractual and statutory obligations;
 - 3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance

with Article 183/6 of the Code of Civil Procedure (hereinafter "c.c.p.") to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the Presiding Judge of the Court of Lucca, who scheduled the trial for 07.01.2011.

The case was investigated and the hearing was postponed to 11.12.13 to allow for clarification of the pleadings.

With the ruling of 12.03.2012, the Presiding Judge rules that Case no. 4194/2007 would be heard together with Case no. 4810/2010 at the hearing of 11.12.2013 before Judge Frizilio for potential grouping.

The aforementioned ruling was appealed by OMNILUDO on 03.04.12. The Presiding Judge of the Court, holding that the substantive requirements were met for grouping of the proceedings, ordered on 26.06.2012 that the case be referred to Judge Frizilio for the purposes of arranging the consolidation and clarification of the pleadings.

Indeed, at the hearing of 11.12.13 the Judge decided on the grouping of all pending proceedings for the case no. RGNR 4194/2007 and on the postponement of the hearing on 17.03.14. . Once the conclusions had been specified, the judge indicated the deadlines for submission of the closing briefs.

We are awaiting the decision.

SNAI, supported by the opinion of its legal counsel, considers the risk of losing improbable.

Stefano Tesi vs. SNAI

By means of a complaint served to SNAI in accordance with Art. 702 of the c.c.p. on 19/10/2011, Mr Stefano Tesi summoned SNAI S.p.A to a hearing scheduled by the judge for 26 January 2012. The Court ordered SNAI to pay Euro 13,476,106.10 - or whatever amount the court deems fair - plus legal costs, on the grounds the defendant had not yet paid the "extraordinary" amount that the plaintiff won via a SNAI Video Lottery Terminal.

SNAI appeared before the Court, opposing the above claims both in fact and in law, as under mandatory provisions of law a VLT may not pay out winnings in excess of Euro 500,000.00, and in turn suing the manufacturer of the VLT in question, as the event was probably due to a defect in the machine. Following the submission of the motion for postponement by SNAI in order to summon the third party (BARCREST Group Limited, based in the United Kingdom), the Ordinary Judge of the Court of Lucca postponed the hearing to 03/07/2012. At that hearing, at which the BARCREST Group appeared, the Court withheld its decision. By an order lifting that reservation, the Investigating Judge ordered the transfer to ordinary proceedings and committed the case for trial on 09/10/2012 in accordance with art. 183 of the c.c.p. At that hearing the case was postponed until 12/03/2013 for admission of pre-trial motions. At the hearing of 12/03/2013, certain questions for witnesses formulated by SNAI were admitted but not those of Tesi. At the hearing of 28/05/2013, the case was postponed to 02/07/2014 for clarification of the pleadings. Once the pleadings had been clarified, the judge indicated the deadlines for submission of the closing briefs and the responses.

SNAI, with the support of the advice from its legal advisers, believes that there is a risk of losing the case, not for the sum claimed by the claimant, but rather up to the maximum amount of a Jackpot winnings i.e. Euro 500,000.00.

The above opinion is also in consideration of the counterclaim filed by SNAI against the manufacturer Barcrest Ltd as guarantor for any payment that SNAI might be obliged to effect pursuant to Tesi's claim.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on 14 March 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. SNAI appeared in court in due form, stating its own defence and objecting that the plaintiff's claims are groundless. Following the hearing on 15 February 2013, the Investigating Judge ordered the translation of foreign-language documents filed by Ainvest. The case was assigned to the new Investigating Judge who, with the ruling 07.06.13 postponed the litigation to 11.10.13. In the meantime, AINVEST submitted an application for revocation of the order to translate the documents into English. At the hearing of 11 October 2013 the Judge ordered the appointment of an interpreter, setting the new hearing on 16 May 2014.

At that hearing, the judge ruled that the documents were to be translated, allowing the court appointed expert 180 days in which to carry out the appraisal (beginning from 16.06.14) and postponing the hearing for the examination of the appraisal to 27/02/2015.

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

Potential assets: Receivables from the Di Majo Award

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

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

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

The compensation for the following years has not yet been determined in its entirety. The defeated Ministries filed an appeal against that ruling before the Rome Court of Appeal. At the trial scheduled for 14 December 2012, the judgement on the case was reserved. In addition to those legal events, on 22 June 2010 Assosnai (Association of the category of concessionaires) sent AAMS 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 AAMS (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. AAMS addressed a formal legal query to the State Attorney General regarding the memoranda sent by Assosnai and informed Assosnai that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute. To date, the settlement agreement has not yet been signed.

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

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

With ruling no. 2626 of 21 November 2013, the Court of Appeal in Rome sentenced that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence. SNAI appealed (service on 21 May 2014 and submission to the Court of Cassation thereafter on 10 June).

Allegations by AAMS regional offices related to the 2006 PREU

This dispute regards 41 notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.

The aggregate amount of Penalties and PREU claimed is Euro 786,876.85 (Euro 193,427.76 in penalties + Euro 593,449.09 in PREU) plus interest.

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

With reference to the procedures further thereto:

- in relation to 4 notices of assessment, AAMS has issued a decision for their cancellation as a form of self-remedy (and setting aside)
- in relation to 1 proceeding, the suspension was accepted and CTP, after the hearing, rejected the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional CTP. A new hearing has to be set.
- for 15 proceedings, the hearings on the merits and suspension of provisional enforceability as at 05.06.13 have been accepted and on 24 July 2013 the Court lifted its reservation and rejected the appeal filed by SNAI. SNAI has appealed these rulings before the Regional Tax Commission and we are awaiting for a hearing date to be set;
- for 2 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.
- for 18 proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. AAMS has appealed the remaining 15 rulings before the competent Regional Tax Commission and SNAI has submitted its own objections. Of these, 7 proceedings were decided upon by the Regional Tax Commission with the ruling confirming the first instance ruling and rejecting ADM's application, while we are awaiting the hearing date to be set for 8 proceedings.
- for 1 proceeding, SNAI's appeal was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed.

Based also upon the opinion of the Group's legal advisers, the Directors assessed the risk of a negative outcome of the proceedings in course as being possible.

Allegations by AAMS' regional offices related to the 2007 PREU

This dispute regards 12 notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.

The aggregate amount of penalties and PREU tax amounts to Euro 82,101.58 (Euro 49,683.24 as penalties + Euro 32,418.34 as PREU), plus interest.

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

- for 1 assessment notice, AAMS issued a decision for its cancellation (and setting aside)
- for 2 proceedings, a ruling was issued allowing SNAI's appeal (ruling 62/13). 2 appeals were made against this ruling before the competent Regional Tax Commission. SNAI filed counter-appeals and the hearing is to be set;
- for 7 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.
- for 1 proceeding, the hearing on the merits has been scheduled for 16.10.14 and the hearing on the merits has not yet been scheduled.
- for 1 proceeding, on 04/07/2013 after brief discussion the CTP reserved on the decision. Upon lifting of its reservation, the CTP rejected the suspension request and postponed the discussion to a new hearing. We are awaiting for the hearing date on the merits to be set.

Based also upon the opinion of the Group's legal advisers, the Directors assessed the risk of a negative outcome of the proceedings in course as being possible.

Allegations by AAMS' regional offices related to the 2008 PREU

This dispute regards 8 notices and/or assessment notices issued by the regional offices of ADM (formerly AAMS), which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.

In particular:

- in relation to 2 notices the amount of which is still undetermined, for which SNAI filed defensive briefs before the competent CTP. The Company is still awaiting for the outcome of the evaluation;
- in relation to 6 assessment notices (followed by 4 objections for which SNAI filed defensive briefs), for a total amount of approximately Euro 380,000.00. SNAI has filed appeals against the above notices before the competent CTP; We are awaiting the dates to be set for the hearing on the merits and suspension.

Additional penalties for exceeding the AWP quotas by Regional Offices

This relates to 94 notices served by various regional offices of ADM (formerly AAMS) in which ADM contested the installation of a number of AWP in excess of the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of making a reduced payment and it is not yet determinable. Pending assessment of the individual position, SNAI has provided as follows:

- to make a reduced payment for 34 disputes amounting to approximately Euro 16,000.
- to submit defensive briefs for 60 disputes, of which 18 have been archived.

Quotes of 2 October 2012

Due to a malfunctioning on 2 October 2012, certain sporting events were offered and quoted, - for a few minutes only - with evidently incorrect quotes, in particular this related to Under/Over 5.5 and Under/Over, second half 0.5 bets. Some players noticed the anomaly, took advantage of it and placed a series of straight and system bets, both on physical network and online through the website www.snai.it and on the physical channel. SNAI promptly informed AAMS of the situation prior to events relating to those bets.

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

SNAI is preparing its defence, also in consideration of legal precedents favourable to other concession holders that have published quotes with recognisable errors, and the company will appear in the judgements.

In some cases, however the players have brought a complaint before the Commission for the transparency of the games at AAMS requesting payment of their winnings. With the rulings no. 4/2013, no. 5/2013 and no. 6/2013 published on 29 April 2013, the Commission has upheld three complaints; payment has been sought from ADM. With an appeal to the Lazio Regional Administrative Court filed on 14 November 2013, SNAI objected the order with which ADM required the payment to one of the complainants. With reference to the above-mentioned order, on 21 March 2014 ADM issued a notice in which, while acknowledging the cancellation decided by the Commission, any intervention was suspended as regards failure to enforce the decision.

Considering the nature and the characteristics of the AAMS notices, SNAI decided to not appeal them.

29. Sundry payables and other liabilities

Sundry accounts payable and other non-current liabilities are broken down as follows:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|--|--------------|--------------|--------------|
| Sundry payables and other non-current liabilities | | | |
| <i>Tax payables</i> | | | |
| - instalments on assessment notice | 128 | 452 | (324) |
| - Instalments of flat-rate tax | 517 | 593 | (76) |
| | 645 | 1.045 | (400) |
| <i>Other payables</i> | | | |
| - for instalments related to PREU for previous years | 2,160 | 2,567 | (407) |
| - for guarantee deposit liabilities | 11 | 11 | 0 |
| | 2,171 | 2,578 | (407) |
| Total sundry payables and other non-current liabilities | 2,816 | 3,623 | (807) |

Other current liabilities are composed as follows:

| thousands of Euro | 30.06.2014 | 31.12.2013 | Change |
|---|---------------|---------------|----------------|
| Other current liabilities | | | |
| <i>Tax payables</i> | | | |
| - income tax | 1,255 | 285 | 970 |
| - VAT | 1,410 | 2,228 | (818) |
| - Flat-rate tax | 21,416 | 4,757 | 16,659 |
| - Instalments of flat-rate tax | 543 | 1,636 | (1,093) |
| - instalments on assessment notice | 1,014 | 1,347 | (333) |
| - other tax debts | 746 | 1,600 | (854) |
| | 26,384 | 11,853 | 14,531 |
| <i>Payables to soc. sec. entities</i> | | | |
| - Soc. sec. Entities | 2,389 | 2,466 | (77) |
| | 2,389 | 2,466 | (77) |
| <i>Other payables</i> | | | |
| - to AAMS for outstanding PREU | 9,026 | 14,944 | (5,918) |
| - to AAMS for guarantee deposits ADI | 2,170 | 2,417 | (247) |
| - for instalments related to PREU for previous years | 958 | 1,103 | (145) |
| - to winners and VLT jackpot reserve | 10,166 | 10,531 | (365) |
| - VLT required tickets | 338 | 202 | 136 |
| - to AAMS as concession instalment | 1,301 | 1,449 | (148) |
| - to gamblers for antepost bets | 3,179 | 1,762 | 1,417 |
| - to gamblers for wins and refunds on national horseracing/sports forecast bets | 1,815 | 1,609 | 206 |
| - to ASSI (former U.N.I.R.E.) for fortnightly payments | 882 | 1,077 | (195) |
| - to AAMS for required tickets | 287 | 277 | 10 |
| - to AAMS for Sports Forecast and National Horseracing Betting Concession | 1,984 | 3,138 | (1,154) |
| - for SNAI Card gaming bards | 5,496 | 5,900 | (404) |
| - to Remote Gaming players (Skill/Casino/Bingo) | 137 | 132 | 5 |
| - for management of remote gaming (Skill/Casino/Bingo) | 1 | 1 | 0 |
| - to players for wins in virtual events | 266 | 47 | 219 |
| - to AAMS | 21,680 | 21,564 | 116 |
| - for non-competition agreement | 0 | 167 | (167) |
| - to employees and collaborators | 5,280 | 3,786 | 1,494 |
| - to directors | 351 | 764 | (413) |
| - to auditors | 71 | 192 | (121) |
| - for guarantee deposits | 2,450 | 2,281 | 169 |
| - to parent companies | 0 | 65 | (65) |
| - to others | 3,555 | 2,594 | 961 |
| | 71,393 | 76,002 | (4,609) |

SNAI Group: Condensed consolidated half-year financial statements as at 30 June 2014

Accrued liabilities and deferred income

| | | | |
|--|----------------|---------------|---------------|
| - accrued liabilities | 1,174 | 245 | 929 |
| - deferred income | 888 | 901 | (13) |
| | 2,062 | 1,146 | 916 |
| Total other current liabilities | 102,228 | 91,467 | 10,761 |

The instalments payable on the tax assessment notice of a total of Euro 1,142 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on November 2011 and July 2013, of which amount Euro 128 thousand is due within more than 12 months and Euro 1,014 thousand is due within 12 months. That amount includes the tax, penalties e interest as defined in the final tax assessment notices, with acceptance granted on 21 February 2012 (for the year 2009), 5 July 2012 (for the year 2010) and 26 July 2013 (for the year 2011), in which it was also agreed to the extend payment through 12 quarterly instalments.

Payables related to the flat-rate tax payable in instalments, amounting to Euro 1,060 thousand, of which Euro 517 thousand being due after one year and Euro 543 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

Payables related to the flat-rate tax payable in instalments, amounting to Euro 3,118 thousand, of which Euro 2,160 thousand being due after one year and Euro 958 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2006-2007 and 2009-2010 flat-rate tax.

The tax increase is due to the flat-rate tax on betting, introduced with the "Mille proroghe" law decree. The payment term of the flat-rate tax on horserace bets and on betting on events other than horse races, is fixed on 20 December of the same year and 31 January of the following year, with reference to the flat-rate tax due for the September-November and for December, respectively, as well as on 31 August and 30 November with reference to the flat-rate tax due for the January-April and May-August periods, respectively.

The Other payables to AAMS item, totalling Euro 21,680 thousand, relates to draw downs which were offset by receivables (acquired or original) from the Di Majo Award. On 21 November 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 have been cancelled. When ADM requires the payment, SNAI will have the faculty to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 21.

The payables to AAMS for outstanding PREU, in the amount of Euro 9,026 thousand, is calculated from the entertainment machine transactions ADI).

The Deferred income item, amounting to Euro 888 thousand, is related, in the amount of Euro 841 thousand, to the portion of the grants to the former ASSI investment fund recognised as grants related to investments.

30. Trade payables

The trade payables are composed as follows:

| thousands of Euro | 30.06.20 14 | 31.12.20 13 | Change |
|--|------------------------|------------------------|----------------|
| Trade payables | | | |
| - to suppliers | 29,073 | 34,548 | (5,475) |
| - to stables, jockeys and bookies | 166 | 163 | 3 |
| - to foreign suppliers | 4,050 | 4,079 | (29) |
| - advances paid to suppliers | (2,483) | (1,030) | (1,453) |
| - credit notes to be received | (762) | (465) | (297) |
| - to affiliate Connex S.r.l. | 189 | 201 | (12) |
| - to investee Tivu + S.p.A. in liquid. | 43 | 43 | 0 |
| Total trade payables | 30,276 | 37,539 | (7,263) |

31. Overdue accounts payable

As required by CONSOB's notice ref. 10084105 of 13 October 2010, the following table sets forth the Group's payables, grouped by type, with a specific indication of the amounts overdue.

(amounts in thousands of Euro)

| Current liabilities | Balance as of 30.6.2014 | of which due on 30.06.2014 |
|--------------------------------|------------------------------------|---------------------------------------|
| Financial payables | 23,187 | - |
| Trade payables | 30,276 | 7,044 |
| Tax payables | 26,384 | - |
| Payables to soc. sec. entities | 2,389 | - |
| Other payables | 71,393 | - |
| | 153,629 | 7,044 |

Trade payables: the amounts due as at 30 June 2014, equal to Euro 7,044 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 30 June 2014. In certain cases, a new expiration was set. To the present date, no supplier has taken any initiatives in response.

32. Share based payments

On 29 April 2014, the Shareholders' Meeting of SNAI S.p.A. approved, among other things, the proposal for the remuneration plan pursuant to article pursuant to Art. 114-bis of Law Decree 58/98 regarding a Remuneration Instrument for the Chairman and the Managing Director Giorgio Sandi, by virtue of his key position within the Company and fundamental role within the Company's development process.

This Plan includes a one-off, extraordinary bonus, in cash (the "Cash Bonus") or shares (the "Share-Based Bonus" and the Cash Bonus, together the "Extraordinary Bonus"), upon occurrence of some events connected with the Company's change of control.

Change of control means the direct or indirect acquisition, by a natural or legal person, who individually or together with other entities acting together with it pursuant to article 109 of the Consolidated Law on Finance (TUF), becomes the shareholder who holds, directly or indirectly, the highest number of Company shares.

- I. The Cash Bonus will be paid by the company in the event that an entity other than the current controlling shareholder of SNAI makes, by 31 December 2021, a tender offer, whether voluntary or mandatory, on the company shares (the "OPA" [public offering]) due to which or upon conclusion of which an exchange of control takes place.
- II. The Share-based Bonus will be paid by the company if, by 31 December 2021:
 - there is a merger by the company (the "Merger") upon conclusion of which an exchange of control takes place;
 - the company carries out a share capital increase upon conclusion of which an exchange of control takes place (the "Increase");
 - an entity other than the current controlling shareholder of Snai makes an exchange tender offer on the company shares ("OPS") due to or upon conclusion of which an exchange of control takes place.

The Share-based Bonus, where attributed, will consist in the event of a merger, in a number of shares of the company ensuing from the merger and in the event of an increase or OPS in a number of shares of the company.

Upon fulfilment of the Conditions, the Extraordinary Bonus will be attributed exclusively in the event in which the price per SNAI share is equal to or higher than Euro 4.1. In this case, the amount of the Cash Bonus or the Share-based Bonus will be determined based on the following table:

| The price of SNAI shares | Amount of the bonus |
|---|--------------------------------|
| Less than €4.1/share | 0 |
| From €4.1/share (included) up to € 5.65/share | 2% of SNAI's capitalisation |
| From €5.65/share (included) up to € 6.40/share | 2.33% of SNAI's capitalisation |
| From €6.40/share (included) up to € 7.20/share | 2.67% of SNAI's capitalisation |
| For a price equal to or higher than €7.20/share | 3.0% of SNAI's capitalisation |

In the event of a termination of contract between the director and the company due to death or permanent invalidity or termination without just cause, or failure to renew the office, subsequently to the approval of the financial statements for the period ended 31 December 2015, for a subsequent mandate, the CEO will be entitled to a portion of the Cash Bonus or the Share-based Bonus, always provided the conditions above are fulfilled, and it will be determined according to different percentages.

The fair value of this instrument on the assignment date is equal to Euro 4,454 thousand.

The fair value as at 30 June 2014 is equal to Euro 4,374 thousand.

The liabilities as at 30 June 2014 which should be recognized in the financial statements amount to Euro 148 thousand, but given that the conditions this plan is subject to are not considered to be probable by the company as at 30 June 2014, in line with the instructions provided by IFRS 2, no liabilities have been recognized in the financial statements for the period ended 30 June 2014 no cost has been recognized in the income statement for the half year ended on that same date.

33. Financial commitments

In addition to what is stated regarding financial liabilities, the Group has undergone financial commitments related to the granting of guarantees for a total amount of Euro 149,917 thousand as at 30 June 2014 (Euro 157,100 thousand as at 31 December 2013).

As regards values disclosed in the financial statements as at 31 December 2013, the changes occurred in financial commitments are disclosed hereunder:

| Bank | Beneficiary | Subject matter of the guarantee | Increases/(decreases) as of 30.06.2014 (thousands of euro) |
|------------------------|----------------------------------|---|---|
| ELBA ASSICURAZIONI SPA | MINISTRY OF ECONOMIC DEVELOPMENT | In guarantee of the "Ticket mondiale" tender | 134 |
| UNICREDIT | POSTEMOBILE SPA | To guarantee the exact fulfilment of all the obligations undertaken with the contract for the provision of mobile telephone recharges | 100 |
| BCC DI CAMBIANO | CDC IMMOBILIARE SRL | To guarantee a lease | 50 |
| BNL | ESSELUNGA | To guarantee a sub-lease | (18) |
| BNL | CDC IMMOBILIARE | To guarantee a lease | (50) |
| TORO ASS. | MINISTRY OF ECONOMIC DEVELOPMENT | for "PUNTO&SNAI" sweepstakes | (70) |
| LIGURIA ASSICURAZIONI | MUNICIPALITY OF PORCARI | Urban planning expenses for the restructuring of a building | (160) |
| UNICREDIT | E-CARE SPA | To cover legal fees and expenses resulting from the settlement of pending causes after the transfer contract of the outbound branch of Festa | (220) |
| BPM | AAMS | To guarantee the debt owed to the Revenues Agency and Unire, as security backing concession 1507 | (230) |
| UNICREDIT | AAMS | To guarantee the opening of horse racing gaming stores and points and the activation of remote horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedure | (253) |
| UNICREDIT | AAMS | To guarantee the opening of shops and sports betting points and activation of remote sports gaming for the 2006 tender concessions. | (541) |
| BNL | AAMS | For the concession for the acceptance of horse race and sports bets | (698) |
| UNICREDIT | AAMS | To guarantee the timely and exact payment of PREU and security deposits | (1,686) |
| UNICREDIT | AAMS | Monti Guarantee -To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players. | (3,541) |
| TOTAL | | | (7,183) |

34. Related Parties

The Consob Notice 6064293 of 28 July 2006 requires that, in addition to the disclosures required by IAS (International Accounting Standard) 24: "Related Party Disclosures", disclosures are provided on the impact on the earnings, net worth and financial position of the transactions or positions with related parties as classified by IAS 24.

The following table shows these impacts. The impact that transactions have upon the income statement and cash flows of the Company and/or the Group must be analysed bearing in mind that the principal dealings with related parties are entirely identical to equivalent contracts in place with third parties.

Certain SNAI Group companies have accounts with Banca Popolare di Milano, **Intesa San Paolo**, **Banca Popolare di Vicenza** and Banco Popolare Società Cooperativa, which may be considered related parties in that they are companies related to the shareholders of SNAI S.p.A.

Such operations are considered to be in the interest of the Group, are part of the ordinary course of business and are subject to the terms and conditions of the market.

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

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

| thousands of Euro | 30.06.2014 | % Impact | 31.12.2013 | % Impact |
|---|------------|--------------|--------------|--------------|
| Trade receivables: | | | | |
| - from Global Games S.p.A. | - | 0.00% | 6 | 0.01% |
| | - | 0.00% | 6 | 0.01% |
| Other current receivables: | | | | |
| - from Alfea | - | 0.00% | 1 | 0.00% |
| | - | 0.00% | 1 | 0.00% |
| Total Assets | - | 0.00% | 7 | 0.00% |
| Trade payables: | | | | |
| - to Companies related to directors of SNAI S.p.A. | - | 0.00% | 764 | 2.04% |
| - to Tivu + S.p.A. in liquidation | 43 | 0.14% | 43 | 0.11% |
| - to Connex S.r.l. | 189 | 0.62% | 201 | 0.54% |
| | 232 | 0.76% | 1,008 | 2.69% |
| Other current liabilities: | | | | |
| - to Companies related to directors of SNAI S.p.A. | - | 0.00% | 21 | 0.02% |
| - to Companies related to shareholders of SNAI S.p.A. | - | 0.00% | 45 | 0.05% |
| - to managers di Teleippica S.r.l. | - | 0.00% | 2 | 0.00% |
| - to Global Games S.p.A. | 3 | 0.00% | 6 | 0.01% |
| | 3 | 0.00% | 74 | 0.08% |
| Total Liabilities | 235 | 0.03% | 1,082 | 0.16% |

The assets are stated net of the related provision.

The following table shows the items vis-à-vis related parties having an impact on the income statement:

Half-year I 2014

| thousands of Euro | Half-year I 2014 | % Impact | Half-year I 2013 | % Impact |
|--|------------------|--------------|------------------|--------------|
| Income from services and charge backs: | | | | |
| - from Companies related to directors of SNAI S.p.A. | - | 0.00% | 30 | 0.01% |
| | - | 0.00% | 30 | 0.01% |
| Other income | | | | |
| - from Companies related to directors of SNAI S.p.A. | 1 | 0.25% | - | 0.00% |
| - from Global Games S.p.A. | 3 | 0.76% | 3 | 0.45% |
| | 4 | 1.01% | 3 | 0.45% |
| Total income | 4 | 0.00% | 33 | 0.01% |

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Costs for raw materials and consumables used:

| | | | | |
|--------------------|----------|--------------|----------|--------------|
| - to Connex S.r.l. | - | 0.00% | 3 | 0.35% |
| | - | 0.00% | 3 | 0.35% |

Costs of services and charge backs:

| | | | | |
|---|------------|--------------|------------|--------------|
| - to Companies related to directors of SNAI S.p.A. | 2 | 0.00% | 184 | 0.11% |
| - to Companies related to shareholders of SNAI S.p.A. | - | 0.00% | 2 | 0.00% |
| - to Companies related to directors of SNAI S.p.A. | 41 | 0.02% | 14 | 0.01% |
| - to Connex S.r.l. | 300 | 0.17% | 316 | 0.19% |
| | 343 | 0.19% | 516 | 0.31% |

Other operating costs:

| | | | | |
|--|----------|--------------|----------|--------------|
| - to Companies related to directors of SNAI S.p.A. | 6 | 0,04% | 6 | 0,03% |
| - to Connex S.r.l. | 2 | 0,01% | 3 | 0,02% |
| | 8 | 0,05% | 9 | 0,05% |

| | | | | |
|--------------------|-----------|--------------|------------|--------------|
| Total costs | 51 | 0,18% | 528 | 0,28% |
|--------------------|-----------|--------------|------------|--------------|

QII 2014

| thousands of Euro | QII 2014 | % Impact | QII 2013 | % Impact |
|---|------------|--------------|------------|--------------|
| Income from services and charge backs: | | | | |
| - from Companies related to directors of SNAI S.p.A. | - | 0.00% | 1 | 0.00% |
| | - | 0.00% | 1 | 0.00% |
| Other income | | | | |
| - from Companies related to directors of SNAI S.p.A. | 1 | 0.48% | - | 0.00% |
| - from Global Games S.p.A. | 2 | 0.95% | 2 | 0.55% |
| | 3 | 1.43% | 2 | 0.55% |
| Total income | 3 | 0.00% | 3 | 0.00% |
| Costs of services and charge backs: | | | | |
| - to Companies related to directors of SNAI S.p.A. | 1 | 0.00% | 177 | 0.22% |
| - to Companies related to shareholders of SNAI S.p.A. | - | 0.00% | 1 | 0.00% |
| - to Companies related to directors of SNAI S.p.A. | 21 | 0.02% | 14 | 0.02% |
| - to Connex S.r.l. | 150 | 0.17% | 172 | 0.22% |
| | 172 | 0.19% | 364 | 0.46% |
| Other operating costs: | | | | |
| - to Companies related to directors of SNAI S.p.A. | 3 | 0.06% | 3 | 0.03% |
| - to Connex S.r.l. | 1 | 0.02% | - | 0.00% |
| | 4 | 0.08% | 3 | 0.03% |
| Total costs | 176 | 0.19% | 367 | 0.41% |

Revenues from services and charge backs and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.01% in the first half of 2014 (0.07% in the first half of 2013), whereas the total income impacts the profit/(loss) for the first half of 2014 in the amount of 0.06% (0.77% in the first half of 2013).

Costs for raw materials and consumables, services and charge backs and other operating costs affect the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.66% in the first half of 2014 (1.19% in the first half of 2013), whereas total costs affect the profit/(loss) for the first half of 2014 in the amount of 5.03% (12.36% in the first half of 2013).

As required by CONSOB's notice ref. 10084105 of 13 October 2010, the following table shows relations with related parties of the Parent Company SNAI S.p.A. as at 30 June 2014.

| thousands of Euro | 30.06.2014 | 31.12.2013 |
|--|--------------|---------------|
| Trade receivables: | | |
| - from Global Games S.p.A. | - | 6 |
| - from Società Trenno S.r.l. | 424 | 673 |
| - from Festa S.r.l. | 14 | 19 |
| - from Immobiliare Valcarenga S.r.l. | 3 | 4 |
| - from Teleippica S.r.l. | 119 | 116 |
| Total Trade receivables | 560 | 818 |
| Other current receivables: | | |
| - from Società Trenno S.r.l. | 56 | 96 |
| - from Festa S.r.l. | 896 | 710 |
| - from Immobiliare Valcarenga S.r.l. | 82 | 82 |
| - from Teleippica S.r.l. | 1,367 | 1,460 |
| - from Alfea S.p.A. | - | 1 |
| Total other current assets | 2,401 | 2,349 |
| Financial receivables: | | |
| - from Società Trenno S.r.l. | 2,183 | 5,190 |
| - from Teleippica S.r.l. | 4,369 | 2,558 |
| Total financial receivables | 6,552 | 7,748 |
| Total Assets | 9,513 | 10,915 |
| Trade payables: | | |
| - to companies related to shareholders and directors | - | 764 |
| - to Società Trenno S.r.l. | 142 | 143 |
| - to Festa S.r.l. | 623 | 522 |
| - to Teleippica S.r.l. | 336 | 340 |
| - to Connex S.r.l. | 183 | 183 |
| - to Tivu + S.p.A. in liquidation | 43 | 43 |
| Total trade payables | 1,327 | 1,995 |
| Other current liabilities | | |
| - to companies related to shareholders and directors | - | 21 |
| - to Global Games S.p.A. | 3 | 6 |
| - to Società Trenno S.r.l. | 5,204 | 4,762 |
| - to Festa S.r.l. | 550 | 551 |
| - to Immobiliare Valcarenga S.r.l. | 1 | 1 |
| - to Teleippica S.r.l. | - | 6 |
| - to companies related to shareholders | - | 45 |
| Total Other Current liabilities | 5,758 | 5,392 |
| Current financial payables: | | |
| - from Festa S.r.l. | 1,480 | 730 |
| - from Immobiliare Valcarenga S.r.l. | 248 | 245 |
| Total current financial payables | 1,728 | 975 |
| Total Liabilities | 8,813 | 8,362 |

The assets are stated net of the related provision.

| thousands of Euro | Half-year I 2014 | Half-year I 2013 |
|--|------------------|------------------|
| Income from services and charge backs: | | |
| - from Società Trenno S.r.l. | 114 | 1,211 |
| Total income from services and charge backs | 114 | 1,211 |
| Other income | | |
| - to companies related to shareholders and directors | 1 | - |
| - from Global Games S.p.A. | 3 | 3 |
| - from Società Trenno S.r.l. | 171 | 486 |
| - from Festa S.r.l. | 62 | 56 |
| - from Immobiliare Valcarenga S.r.l. | 6 | 6 |
| - from Teleippica S.r.l. | 252 | 230 |
| Total other income | 495 | 781 |
| Interest income: | | |
| - from Società Trenno S.r.l. | 180 | 151 |
| - from Teleippica S.r.l. | 140 | 72 |
| Total interest income | 320 | 223 |
| Total income | 929 | 2,215 |
| Costs of services and charge backs: | | |
| - to companies related to shareholders and directors | 2 | 176 |
| - to Società Trenno S.r.l. | 200 | 195 |
| - to Festa S.r.l. | 2,847 | 2,700 |
| - to Teleippica S.r.l. | 1,511 | 1,141 |
| - to Connex S.r.l. | 300 | 316 |
| - to companies related to shareholders | - | 2 |
| Total costs of services and charge backs | 4,860 | 4,530 |
| Costs of personnel | | |
| - to Società Trenno S.r.l. | - | 44 |
| - to Festa S.r.l. | 15 | 48 |
| - to Teleippica S.r.l. | - | 16 |
| Total Personnel Costs | 15 | 108 |
| Other operating costs | | |
| - to companies related to shareholders and directors | 6 | 6 |
| - to Connex S.r.l. | - | 3 |
| - to Società Trenno S.r.l. | 2 | 2 |
| Total other operating costs | 8 | 11 |
| Interest expenses and fees | | |
| Interest expense to Festa S.r.l. | 43 | 57 |
| Interest expense to Immobiliare Valcarenga S.r.l. | 8 | 6 |
| Total interest expense and fees | 51 | 63 |
| Total costs | 4,934 | 4,712 |

35. Financial risk management

The Group had financial liabilities principally comprising bond loans and finance leases. Such contracts are medium- to long-term.

On 8 November 2013, SNAI S.p.A. has issued a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two series of bonds/notes ("Facility A" and "Facility B"), the issue of which was resolved on 5 November 2013 by the Company's Board of Directors. The "Facility A" bonds were issued in the amount

of 15,000 thousand and "Facility B" bonds were issued in the amount of 20,000 thousand. The "Facility A" bonds were reimbursed in full on 4 December 2013.

On 4 December 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics: Euro 320,000 thousand bearing a 7.625% interest and denominated as Senior Secured Notes, with maturity term on 15 June 2018, and Euro 160,000 thousand bearing a 12.00% interest and denominated as Senior Subordinated Notes with maturity term on 15 December 2018.

Gains on Bonds have been used by the parent company to (i) refinance a portion of the bank debt through the redemption of the medium/long-term loan granted to the Company by a pool of banks in 2011, as well as some hedging derivatives, (ii) reimburse Facility A Bonds issued by SNAI S.p.A. on 8 November 2013.

Always on 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving Facility had not been used as at 30 June 2014.

The Group's policy is to reduce to the extent possible its use of interest-bearing credit to fund its ordinary operations, reduce the collection periods for its trade receivables, to arrange timings and means of deferment in respect of trade creditors, and to plan and diversify the payment terms for its investments.

Derivative financial instruments

As at 31 December 2012, the Group had two derivative instruments (interest rate swaps) in place, which were entered into to hedge the interest rate risk connected with the facility provided by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. The Group has elected to account for those derivatives under hedge accounting, as cash flow hedges in accordance with the rules of IAS 39.

The derivatives used by the SNAI Group for hedging purposes were redeemed during refinancing. Upon redemption, derivatives showed a fair value of Euro 6,094 thousand and a cash flow hedge reserve in the same amount.

In accordance with IAS 39, the Group will recognise the utilisation of the cash flow hedge reserve until its natural expiration (31 December 2015).

The following table shows the movements in the cash flow hedge reserve in the first half of 2014 (amounts in thousands of Euro):

| Cash Flow Hedge reserve - Interest rate risk | 30.06.2014 |
|--|-------------------|
| Initial reserve | (4,248) |
| Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness | 0 |
| Positive (+) / negative (-) reclassifications to income statement for cash flows which affected the income statement | 1,062 |
| Final reserve | (3,186) |

Liquidity Risk

Liquidity risk as defined as the possibility that the Group is unable to settle its payment commitments as a result of an inability to obtain new funds (funding liquidity risk), to sell assets in the market (asset liquidity risk), or is obliged to incur very high costs in order to settle those commitments. The Group's exposure to such risk is linked principally to the commitments under the loan operation entered into in November and December 2013 with the issue of bond loans and the entering of a revolving facility unused as at 30 June 2014.

Interest Rate Risk

The Group is exposed to interest rate risk in connection with the financial assets/liabilities related to its core operations; defined as the possibility that a loss may occur in its financial management, in terms of a lower return from an asset or an increased cost of an (existing or potential) liability, as a result of fluctuations in interest rates.

The interest rate risk therefore represents the uncertainty associated with the trend of interest rates.

The Group's exposure to such risk, as at 30 June 2014, specifically relates to the bond loan issued on 8 November 2013 for the portion of the non-reimbursed bonds, defined as "Series B", in the amount of Euro 20,000 thousand. The aim of the Group's interest rate risk management is to protect the Group's financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

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

Credit risk

In order to reduce and monitor credit risk, the SNAI Group has adopted organisational policies and instruments precisely for that purpose.

Potential relationships with debtors are always subjected to reliability analysis prior to the event, through the use of information from leading credit rating companies. The analyses obtained are appropriately supplemented with such information as is available within the Group, resulting in a reliability assessment. This assessment is subject to review on a regular basis or, where appropriate, wherever new information emerges.

The Group's debtors (customers, shop and betting shop managers, AWP and VLT operators, and so forth) are often known to the Group, as a result of its presence over many years in all of the market segments in which it appears, which features a limited number of licensed operators.

A number of relationships with debtors are initially secured with guarantees or deposits, granted in favour of the Group on the basis of reliability assessments.

Established relationships are monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.

The receivables are regularly subjected to in-depth assessments. In particular, receivables are shown net of the relevant provisions for doubtful debts. Accruals to the provision for doubtful debts are recorded where there is objective evidence of difficulty in the Company's recovery of the receivable. Receivables which are considered to be no longer recoverable are fully written off.

In relation to the abovementioned receivables, the maximum exposure to credit risk, without taking into account any security that may be held or other instruments that may mitigate credit risk, is represented by their fair value.

The risk regarding the Group's other financial assets is in line with market conditions.

Exchange rate risk

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

Capital management

The capital management of the Group aims to guarantee a solid credit rating and adequate levels of capital and debt ratios in order to support its operations and its future investment plans, while continuing to fulfil its contractual obligations with lenders.

The Group is subject to contractual restrictions in its loan agreements as regards distribution of dividends to its shareholders and issue of new shares.

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

| thousands of Euro | 30.06.2014 | 31.12.2013 |
|---|-------------------|-------------------|
| Interest-bearing loans | 486,880 | 488,853 |
| Non interest-bearing loans | 42 | 42 |
| Financial liabilities | 486,922 | 488,895 |
| Trade payables and other liabilities | 135,320 | 132,629 |
| Financial Assets | (19,929) | (19,414) |
| Cash and cash equivalents | (63,572) | (45,499) |
| Net indebtedness | 538,741 | 556,611 |
| Shareholders' Equity | 66,437 | 72,347 |
| Total Shareholders' Equity | 66,437 | 72,347 |
| Shareholders' Equity and net indebtedness | 605,178 | 628,958 |
| Ratio net indebtedness/(shareholders' equity and net indebtedness) | 89.0% | 88.5% |

36. Significant non-recurring events and transactions

During the first half 2014, there are no non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of 27 July 2006, as being those "components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business").

37. Events or transactions arising from atypical and/or unusual transactions

No atypical and/or unusual operations took place during the first half of 2014.

38. Group structure

Ownership of the Group

SNAI S.p.A., the parent company of the company, is legally subject to control by Global Games S.p.A.

Significant shareholdings in subsidiaries

| | Percentage held | | |
|--|-----------------|------------|------------|
| | 30.06.2014 | 31.12.2013 | 30.06.2013 |
| IMMOBILIARE VALCARENGA S.r.l. held by sole quotaholder | 100 | 100 | 100 |
| FESTA S.r.l. held by sole quotaholder | 100 | 100 | 100 |
| Società Trenno S.r.l. held by sole quotaholder | 100 | 100 | 100 |
| SNAI Olè S.A. | 100 | 100 | 100 |
| SNAI France S.A. | 0 | 0 | 100 |
| Teleippica S.r.l. | 100 | 100 | 100 |

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

39. Net financial position

In accordance with the requirements of CONSOB's Notice of 28 July 2006, and in accordance with the Recommendation from CESR of 10 February 2005, "CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", the Group's net financial position is set forth in the following table.

| thousands of Euro | 30.06.2014 | 31.12.2013 |
|--|-----------------|-----------------|
| A. Cash | 223 | 206 |
| B. Other cash and cash equivalents | 63,349 | 45,293 |
| <i>bank accounts</i> | <i>63,342</i> | <i>45,284</i> |
| <i>Postal accounts</i> | <i>7</i> | <i>9</i> |
| C. Securities held for trading | 1 | 1 |
| D. Cash on hand (A) + (B) + (C) | 63,573 | 45,500 |
| E. Current financial receivables | 0 | 6 |
| - Escrow Account | 0 | 6 |
| F. Current bank debts | 38 | 40 |
| G. Current portion of non-current indebtedness | 19,095 | 0 |
| H. Other current financial payables | 4,054 | 7,467 |
| - for interest on bond loans | 2,480 | 3,661 |
| - for acquisition of sports and horseracing concessions | 42 | 42 |
| - to other lenders | 1,532 | 3,764 |
| I. Current financial indebtedness (F) + (G) + (H) | 23,187 | 7,507 |
| J. Net current financial indebtedness (I) - (E) - (D) | (40,386) | (37,999) |
| K. Non-current bank debts | 0 | 0 |
| L. Bonds issued | 462,166 | 479,214 |
| M. Other non-current payables | 1,569 | 2,174 |
| - to other lenders | 1,569 | 2,174 |
| N. Non-current financial indebtedness (K) + (L) + (M) | 463,735 | 481,388 |
| O. Net financial indebtedness (J)+(N) | 423,349 | 443,389 |

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,452 thousand, classified under item "current financial assets" on the balance sheet (see Note 21). Furthermore, the non-current financial assets are not included (see note 21).

With respect to the net financial indebtedness as at 31 December 2013, the net financial debt decreased by Euro 20,040 thousand. The decrease is mainly due to the positive performance of the ordinary operations and the benefits generated by the extended payment of the flat tax for the first half of 2014.

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

| thousands of Euro | 30.06.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| A. Cash | 135 | 173 |
| B. Other cash and cash equivalents | 60,064 | 43,687 |
| - Banks | 60,057 | 43.679 |
| - Postal accounts | 7 | 8 |
| C. Securities held for trading | 1 | 1 |
| D. Cash on hand (A)+(B)+(C) | 60,200 | 43,861 |
| E. Current financial receivables | 6,552 | 7,754 |
| - Financial current account with subsidiaries | 6,552 | 7.748 |
| - Escrow Account | 0 | 6 |
| F. Current bank debts | 38 | 40 |
| G. Current portion of non-current indebtedness | 19,095 | 0 |
| H. Other current financial payables: | 5,777 | 8,423 |
| - For interest on bond loans | 2,480 | 3.661 |
| - Financial current account with subsidiaries | 1,728 | 975 |
| - For acquisition of sports and horseracing concessions | 42 | 42 |
| - to other lenders | 1,527 | 3.745 |
| I Current financial indebtedness (F)+(G)+(H) | 24,910 | 8,463 |
| J Net current financial indebtedness (I)-(E)-(D) | (41,842) | (43,152) |
| K. Non-current bank debts | 0 | 0 |
| L Bonds issued | 462,166 | 479,214 |
| M. Other non-current payables: | 1,569 | 2,174 |
| - to other lenders | 1,569 | 2.174 |
| N. Non-current financial indebtedness (K)+(L)+(M) | 463,735 | 481,388 |
| O Net financial indebtedness (J)+(N) | 421,893 | 438,236 |

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,452 thousand, while non-current financial assets are not included.

39.1 Covenants

Like in other similar loans, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 27, envisage a number of obligations for the Group.

The above-mentioned agreements provide that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the due term of "Facility B" bonds and subsequent restrictions until expiration of other bond loans, as well as restrictions on the advanced redemption of bonds, in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advanced redemption.

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total initial amount of Euro 30 million (for more information see Note 27).

In particular, these financial parameters refer to the maintenance of certain ratios of "pro-forma consolidated EBITDA". "Ebitda" is defined in the loan contract and indicates the consolidated result before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items, adjusted with the effect generated by full roll out of VLT machines (run-rate). This update is valid until 31 December 2014.

SNAI S.p.A. is also obliged to provide its lenders periodic information on its cash flows and income, and key performance indicators, regarding the Group, including EBITDA and net borrowings.

It is noted that, as at 30 June 2014, the Group was compliant with commitments and covenants.

40. Events occurred after the period

40.1 Guaranteed minimums

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

With its ruling 7323/2014 published on 10 July 2014, the Second Section of the Lazio Regional Administrative Court, based on the unconstitutionality of article 10, par. 5 b. of Law Decree 16/2012, cancelled the orders up for the minimum guarantees for 2012, which had received an unreasonable "fair discount" of 5%.

The Company is now awaiting the publication of a similar ruling on the other lawsuit relative to the previous claims referring to 2006-2011, which was also taken over for ruling at the hearing of 6 June 2014 (for further details please see note 28).

40.2 New binding offer to operator SIS S.r.l.

On 19 May 2014, SNAI S.p.A. submitted a new binding offer, which is valid and irrevocable to 20 October 2014 (the "**New Binding Offer**") to SIS - Società Italiana Scommesse S.r.l. ("**SIS**") and which (among other things) provides for fulfilment of specific conditions, including the admission of SIS to the ongoing agreement with creditors procedure pursuant to article 186-bis of the Bankruptcy Law, no longer subject to encumbrances.

- (i) The purchase of SIS of a NewCo controlled by SNAI pursuant to article 2359 of the Italian civil code. This company is organized in the country for the management of deposits on public games of horse racing and/or sports, the remote management of legal gambling through entertainment devices (AWPs and VLTs), the collection of bets on simulations of events and the remote operation of public games. The price for the purchase of SIS by the NewCo is set at Euro 7,000,000 (seven million/00) to be paid through the full and/or cumulative payment of a portion of SIS's unsecured debt in the exact amount corresponding to the price;
- (ii) the conclusion of a non-competition clause with the individual shareholders of SIS in order to better protect the orderly development of the NewCo's operations at an overall amount of consideration of Euro 2,650,000.00 (two million six hundred and fifty thousand/00);
- (iii) the proposal of employment to two managers of SIS in relation to the activities that they can offer to the NewCo.

The application for admission to the ongoing agreement with creditors procedure pursuant to 186-bis of the Bankruptcy Law was submitted to SIS at the Court of Rome on 23 May 2014.

The new Binding Offer was supplemented on 20 June 2014 with certain prerequisites and conditions.

On 3 July 2014 the Court of Rome declared the SIS proposal inadmissible and a hearing was set for 15 July 2014 with SIS, while the latter was given until 14 July 2014 to supplement the plan or produce documents.

At the hearing of 15 July 2014, following the discussion the Court of Rome has reserved its decision which has not been issued as yet.

for the Board of Directors
Giorgio Sandi
(President and Managing Director)

Milan, 31 July 2014

The director assigned to the preparation of the corporate accounting documents, Marco Codella declares, pursuant to paragraph 5 Art. 154-bis of the Finance Act, that the accounting information contained in this consolidated financial statement corresponds to documented results, the bookkeeping and accounting records.

Schedule 1

Composition of the SNAI Group as at 30 June 2014

(thousands of Euro)

| Name | Head office | Share Capital | Owned percentage | Note | Type of business | Consolidation |
|--|----------------|---------------|------------------|------|--|----------------------|
| - SNAI S.p.A. | Porcari (LU) | 60,749 | Parent Company | | Acceptance of horse race 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 entertainment devices - skill games | line-by-line basis |
| Subsidiaries: | | | | | | |
| - Società Trenno S.r.l. held by a sole quotaholder | Milan (MI) | 1,932 | 100.00% | (1) | Organization and operation of horse races and the training centre | line-by-line basis |
| - Immobiliare Valcarenga S.r.l. held by a sole quotaholder | Milan (MI) | 51 | 100.00% | (2) | Rent of horse race company for holding of horses | line-by-line basis |
| - Festa S.r.l. held by a sole quotaholder | Porcari (LU) | 359 | 100.00% | (3) | Call centre and help desk management | line-by-line basis |
| - Teseo S.r.l. in liquidazione | Palermo (PA) | 1,032 | 70.00% | (4) | Design and planning of betting management software systems | Shareholders' Equity |
| - SNAI OIè s.a. | Madrid (Spain) | 61 | 100.00% | (5) | Acceptance of sports betting and manufacturing of gaming materials - dormant | line-by-line basis |
| - Teleippica S.r.l. | Porcari (LU) | 2,540 | 100.00% | (6) | 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 |
| Affiliates: | | | | | | |
| - HIPPOGROUP Roma Capannelle S.p.A. | Rome (RM) | 945 | 27.78% | (7) | Organization and operation of horse races and the training centre | Shareholders' Equity |
| - Solar S.A. | LUXEMBOURG | 31 | 30.00% | (8) | Financial company | Shareholders' Equity |
| - Alfea S.p.A. | Pisa (PI) | 996 | 30.70% | (9) | Organization and operation of horse races and the training centre | Shareholders' Equity |
| - Connex S.r.l. | Porcari (LU) | 82 | 25.00% | (10) | Distribution and assistance of electronic services, hardware and software | Shareholders' Equity |
| Other companies: | | | | | | |
| - TIVU + S.p.A. in liquidation | Rome (RM) | 520 | 19.50% | (11) | Multimedia operations, production, gathering and broadcasting of television signal | Cost |
| - Lxorfin S.r.l. | Rome (RM) | 1,500 | 2.44% | (12) | Financial company for shareholdings in the horse race sector | Cost |

Notes on the composition of the Group

- (1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the merger by incorporation of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.). The company was incorporated on 27 July 2006, and on 15 September 2006 Ippodromi San Siro S.p.A. contributed its "horse racing operations" business unit.
- (2) Wholly-owned subsidiary of SNAI S.p.A.
- (3) Incorporated on 30 December 1999, with SNAI S.p.A. as sole member.
- (4) Established on 13 November 1996 and acquired by SNAI S.p.A. on 30 December 1999. On 3 August 2001, Teseo S.r.l. was placed under liquidation.
- (5) Incorporated on 19 November 2008. The company is not operating.
- (6) Acquired by third parties on 5 May 2000. On 2 October 2003, the extraordinary shareholders' meeting changed the company's name from SOGEST Società Gestione Servizi Termali S.r.l. to TELEIPPICA S.r.l., and also its corporate purpose. During 2005, the extraordinary shareholders' meeting resolved to increase the share capital to Euro 2,540,000. On 31 January 2011 SNAI S.p.A. acquired control of 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. SNAI S.p.A. owns 100% of the share capital of Teleippica S.r.l.
- (7) On 12 January 2011, the shareholders' meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, to reduce the share capital to Euro 944,520.00. The percentage owned by SNAI S.p.A. has not changed and amounts to 27.78%.
- (8) A company incorporated under Luxembourg law on 10 March 2006 by SNAI S.p.A., which holds 30%, and FCCD Limited, a company incorporated under Irish law, which holds 70%.
- (9) Previously, a 30.70% shareholding was held by Ippodromi San Siro S.p.A. (formerly, Società Trenno S.p.A.), now merged into SNAI S.p.A., by incorporation.
- (10) On 7 December 2000, the shareholding in Connex S.r.l. was acquired through the purchase of option rights from former shareholders, and the subsequent subscription (and payment) of the share capital increase reserved to the holders of those rights.
- (11) On 7 July 2004, the extraordinary shareholders' meeting resolved to wind up the company Tivu + S.p.A.
- (12) Shareholding of 2.44% acquired on 19 July 1999 by Società Trenno S.p.A., which was subsequently merged into SNAI S.p.A., by incorporation.

Certification of the condensed consolidated half-year financial statements, pursuant to art. 154 bis, par. 5 of Legislative Decree 58/1998 - Consolidated Law on Finance (TUF)

1. The undersigned, Giorgio Sandi, in his capacity as the Chairman of SNAI S.p.A. and Marco Codella in his capacity as the executive in charge of the preparation of the accounting and corporate documentation of SNAI S.p.A. hereby certify, also pursuant to the provisions set forth in art. 154 – bis, paragraphs 3 and 4 of Legislative Decree 58, 24 February 1998:
 - the adequacy of the company characteristics and
 - the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements as at 30 June 2014.

2. No significant issues arose.

3. It has also been certified that:
 - 3.1 The condensed consolidated half-year financial statements:
 - a) have been drawn up in compliance with the applicable International Accounting Standards which are recognized by the European Union pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
 - b) correspond to the accounting books and records;
 - c) provide a true and accurate representation of the capital, economic and financial situation of the issuer as well as of the group of companies included in the consolidation perimeter.

 - 3.2 the interim report on operations contains a reliable analysis of the significant events that occurred in the first six months of the year and their impact on the condensed consolidated half-yearly financial statements, together with a description of the main risks and uncertainties envisaged for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information regarding significant transactions with related parties.

Milan, 31 July 2014

The Chairman

(Giorgio Sandi)

The executive in charge of the preparation of the Company's accounting and corporate documentation

(Marco Codella)