



Play with the Playmakers



INTERIM
MANAGEMENT
REPORT – 1Q 2016



INTERIM MANAGEMENT REPORT AS AT 31 MARCH 2016

Milan, 13 May 2016

SNAI S.p.A.

**Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro €97,982,245.40
fully paid in**

Tax Code 00754850154 - VAT no. 01729640464

Register of Companies in Lucca and Lucca REA no. 00754850154

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**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, without prejudice to what expressed hereunder)

*Chairman
Managing Director*

Gabriele Del Torchio*
Fabio Schiavolin**

Directors

Stefano Campoccia */*******
Mara Caverni */*******
Giorgio Drago
Nicola Iorio
Enrico Orsenigo
Roberto Ruozi ****
Barbara Poggiali ****
Chiara Palmieri ****
Tommaso Colzi
Marcello Agnoli */*******
Carlo Gagliardi*
Paolo Scarlatti *****

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

Board of Statutory Auditors

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

*Chairman
Standing Auditors*

MariaTeresa Salerno
Massimo Gallina
Maurizio Maffei

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.

* Appointed at the Shareholders' Meeting held on 28 September 2015 until the Shareholders' Meeting held to approve the financial statements for the period ending 31 December 2015.

** Co-opted by the Board of Directors held on 23 November 2015, in replacement of the resigning Director Mauro Pisapia, in office until the next Shareholders' Meeting.

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

**** Members of the Compensation Committee chaired by Roberto Ruozi.

***** Members of the Related Parties Committee chaired by Mara Caverni.

***** Co-opted by the Board of Directors held on 10 December 2015, in replacement of the resigning Director Massimo Perona, in office until the next Shareholders' Meeting.

***** Appointed by the Board of Directors held on 13 May 2016.

SNAI Group: Interim consolidated financial statements as at 31 March 2016 - Condensed interim consolidated financial statements

Comment on the main KPIs for the period

As a necessary condition to better understand the trend in business performance, first of all, it is necessary to recall that in 2015:

- in November 2015, the acquisition of the companies of the Cogemat S.p.A. Group ("Cogemat") by SNAI was concluded through a transfer of all Cogemat S.p.A. shares into SNAI share capital. With respect to this transfer, SNAI issued new shares for a total value of Euro 140 million;
- on 3 April 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated, also aimed at the acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points. Through this company, two corporate transactions were carried out envisaging the acquisition, in April 2015, of the company Finscom S.r.l., together with SNAI S.p.A., and in June 2015, the lease of the Business Unit of the company S.I.S. S.r.l. (with obligation of subsequent purchase). The two transactions involved, in total, 63 bet acceptance points;
- the 2016 Stability Law, issued at end 2015, substantially changed the tax burden on fixed-odds sports betting and PREU tax rates for gaming machines (AWPs and VLTs).

Total revenues of the Group reported 41% increase, from Euro 156.1 million in the first quarter of 2015 to Euro 220.2 million, in the first quarter of 2016. Revenues from sales and services amounted to Euro 217.9 million in the first quarter of 2016, compared to Euro 128.4 million in the first quarter of 2015, up by 69.7%, mainly due to the combined effect of the merger of the Cogemat Group and the re-opening of shops owned by the Finscom and former SIS network, as well as to the positive trend reported with sports betting and on-line games.

Other revenue and income decreased from Euro 27.7 million in 2015 to Euro 2.3 million in 2016, down by Euro 25.4 million, mostly attributable to the transaction for the amicable settlement of the dispute between SNAI, on the one hand, and Barcrest Group Limited, The Global Draw Limited and their parent company Scientific Games Corporation on the other hand, occurred in February 2015, for a total amount of Euro 27.5 million.

As a consequence of the increase recorded in revenues, Group EBITDA in the first quarter of 2016 increased to Euro 38.7 million as compared to Euro 20.2 million in the first quarter of 2015, up by 91.5%.

During the first quarter of 2016, non-recurring costs amounted to Euro 0.2 million, compared to net revenues amounting to Euro 26.1 million, reported in the same period of the current year, mainly due to the above-mentioned Barcrest transaction.

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

• KPIs

<i>amounts in thousands of Euro</i>	<i>Ist Quarter</i>		<i>Change</i>	
	<i>2016</i>	<i>2015</i>	<i>€</i>	<i>%</i>
Total revenues	220,195	156,123	64,072	41.0
EBITDA	38,718	20,223	18,495	91.5
EBITDA Adj	40,522	21,275	19,247	90.5
EBIT	21,368	32,114	(10,746)	(33.5)
Profit/(loss) before taxes	6,001	18,308	(12,307)	(67.2)
Net profit (loss)	1,608	11,436	(9,828)	(85.9)
Diluted earnings/(loss) per share	0.01	0.10	(0.09)	(90.0)

EBITDA was influenced by the following non-recurring revenues and costs incurred for operating purposes (Note 37 shows the non-recurring revenues and costs as envisaged under Consob Resolution No. 15519 of 27.07.2006):

<i>Non-recurring revenues and costs</i>	
<i>thousands of Euro</i>	<i>1st Quarter of 2016</i>
Non-recurring revenues and costs	
Active trading	(1,340)
Losses on settlement of disputes	1,364
Costs related to non-recurring consultancies	197
Leaving incentives	7
Other	6
Impact on EBITDA	234

Group EBIT in the first quarter of 2016 was Euro 21.4 million as compared to Euro 32.1 million in the first quarter last year.

Group profit/(loss) before taxes in the first quarter of 2016 was Euro 6.0 million, as compared to Euro 18.3 million in the first quarter of last year. This decrease is partly due to higher financial charges connected with the new bond issued in November 2015, in the amount of Euro 110 million, and instrumental to the acquisition of the companies of the Cogemat Group.

The net earnings for the Group in the first quarter of 2016 amounted to Euro 1.6 million, as compared to Euro 11.4 million in the first quarter of 2015.

The net financial indebtedness of the SNAI Group as at 31 March 2016 was equal to Euro 478.5 million, as compared to Euro 467.6 million at the end of 2015.

- **EBITDA, EBITDA Adj and EBIT**

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

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

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

EBITDA

<i>amounts in thousands of Euro</i>	<i>Ist Quarter</i>		<i>Change</i>	
	<i>2016</i>	<i>2015</i>	<i>€</i>	<i>%</i>
EBIT	21,368	32,114	(10,746)	(33.5)
+ Dpreciation of Tangible Assets	4,763	4,218	545	12.9
+ Amortisation of Intangible Assets	12,353	9,986	2,367	23.7
Profit/(loss) before amortisation, depreciation, write-downs, financial income/expenses, taxes	38,484	46,318	(7,834)	(16.9)
+ Non-recurring costs	234	(26,095)	26,329	>100
EBITDA	38,718	20,223	18,495	91.5
	1,804	1,052	752	71.5
+ Current portion of the provision for doubtful debts				
EBITDA Adj	40,522	21,275	19,247	90.5

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

Profit/(loss) before taxes

<i>amounts in thousands of Euro</i>	<i>Ist Quarter</i>		<i>Change</i>	
	<i>2016</i>	<i>2015</i>	<i>€</i>	<i>%</i>
EBIT	21,368	32,114	(10,746)	(33.5)
+ Financial income	225	338	(113)	(33.4)
+ Financial expenses	(15,598)	(14,132)	(1,466)	(10.4)
+ Net gains (losses) on exchange rates	6	(12)	18	150.0
Profit/(loss) before taxes	6,001	18,308	(12,307)	(67.2)

Remarks of the Board of Directors on the performance of operations, business outlook and progress of the business plan

Remarks on the game and bets performance for the period up to 31 March 2016

Wagers of Gaming Machines (including the contribution of VLTs and AWP) amounted to Euro 1,965.1 million as at 31 March 2016, compared to Euro 744.4 million recorded in the same period of 2015 thanks to the integration with the Cogemat group (wagers of Euro 1,165.2 million in Q1 2016) and development activities of the network. The revenues from the Gaming Machines segment totalled Euro 147.7 million, as compared to Euro 75.2 million in the first three months of 2015.

In the first three months of 2016, the payout (percentage of winnings paid to betters as compared to the total wagers collected) on sports bets, was 81.5% compared to 82.3% in the same period of 2015.

As at 31 March 2016, the volume of wagers on sports based games offered by the company amounted to Euro 259.9 million compared to Euro 193.4 million in the same period last year (+34.4%). Of these, Euro 68.4 million (26.3% of the total) originated from the on-line channel. In addition to the development of the on-line channel, the increase in wagers was made possible by Cogemat Group merger (Euro 18.2 million), the re-opening of shops owned by the Finscom and former SIS network and the development of the product offer. The net revenues of sports based games, including pool betting, amounted to Euro 38.1 million compared to Euro 26.3 million in the same period of 2015.

Revenues from horse racing bets including National Horse Racing, as at 31 March 2016, include wagers equal to Euro 64.3 million, up with respect to Euro 57.1 million of the same period of 2015 (+12.7%). The key elements of growth were the merger with Cogemat (Euro 5.2 million) and the re-opening of shops owned by the Finscom and former SIS network. Revenues from horse racing bets including National Horse Racing increased by Euro 0.2 million and amounted to Euro 5.6 million as at 31 March 2016, versus Euro 5.4 million in the same period of 2015.

The results obtained from betting on virtual events, in the first three months of 2016, reported an increase in wagers to Euro 84.1 million, compared to Euro 68.1 million reported in the same period of 2015, with net revenues totalling Euro 11.0 million (Euro 9.1 million in the first three months of 2015). The increase is due to the merger with Cogemat (wagers equal to Euro 9.7 million), the re-opening of shops owned by the Finscom and former SIS and network and product streamlining activities.

In the first three months of 2016, the revenues from the remote gaming segment dropped to Euro 6.1 million compared to Euro 4.6 million in the same period of 2015.

As regards the service segment, it is worth noting that, thanks to the merger with Cogemat, in the first three months of 2016 wagers related to providing customers increased from Euro 119.9 million, in the same period of 2015, to Euro 133.7 million. Euro 28.7 million related to wagers from services to citizens (Paymet brand) are to be also added.

Business outlook

The Group's strategic objective is to consolidate its leadership position on the betting market on the retail channel, as well as to increase the market share in the on-line channel. Thanks to Cogemat merger, the Group can rely on an aggregated product portfolio, as well as on the necessary skills to play a leading role also in the segment of gaming machines. The know-how, resources available and technological platform of the new Group, together with a strengthened management team, will allow for the achievement of this target.

In light of the new consolidation area, resulting not only from the Cogemat Group merger, but also from the acquisition of Finscom and the lease of the SIS Business Unit (by SRI), in 2016 the management will be mostly characterised by both the starting and the carrying out of activities resulting from the envisaged mergers, and the widening of activities in which the Group will be involved.

The primary targets are represented by the improvement of market performance and the management and financial efficiency, thanks to the combination of skills and experience of SNAI and the Cogemat Group.

In the sports betting business, the main activities will focus on the increased "live" offer, through a further development of channels offered in streaming, and a constant improvement of risk management. New contract formulas will be also introduced with the distribution segment, in the aim of achieving the optimal balance between the management of payout and wagers.

As regards horse racing bets and bets on virtual events, the Group's targets are, respectively, the widening of the offer on fixed-odds horse racing betting and the implementation of platforms to increase the number of daily events.

With reference to the tender for new concessions on the network of betting sales scheduled for 2016, the Group's minimum target is to confirm the current number of shops and corners.

In the segment of gaming machines, the increase of the market share will be pursued through new acquisition canvasses and the downstream integration of the distribution segment.

As regards VLTs, the activity will be focused on the further optimization of the distribution network, aimed at improving the average performance of VLTs installed, the prompt management of payout related to VLTs and the aimed selection of new games.

As regards the gaming machine segment (AWPs), long-term initiatives promoting loyalty will be developed for large scale operators, thanks to the creation of a group of partners specially selected to manage remote gaming machines in the future and any commercial development in pre-assigned geographical areas.

The offer on on-line games will be also developed, with special focus on casino games and cross selling on sales points, in addition to the expansion of the distribution channels and network for added value services.

As regards the retail network of SRI and Finscom, the targets focus on the improvement of managerial efficiency and operating performance thanks to special activities aimed at repositioning, restyling and promotion. Over 2016, the outsourcing strategy will be started through the granting of SRI and Finscom sales points to third-party operators.

Progress of the business plan

The aforesaid Cogemat Group merger into the SNAI Group, as well as the restructuring of the network of SIS and Finscom agencies require the setting up of a new Business Plan, able to seize the improvement chances in performance in both generating revenues and operating efficiency offered by the new potential synergies connected with skills and means available in the new Group.

Therefore, also due to the recent amendments in the regulations governing the segment, Directors now deem that SNAI's previous Business Plan is no longer adequate.

The new Business Plan, to be defined in 2016, will be based on and will develop the 2016-2019 Guidelines, recalled in the paragraph related to the evaluation of the corporate ongoing basis. This Plan will also include some key inputs, which will be outlined over the year, such as:

- (i) timing, costs and outcome of the tender for the new sports concessions,

- (ii) savings resulting from SNAI-Cogemat merger, including the audit being carried out with Trade Unions and
- (iii) effects of the reorganization of the network of shops owned by SIS and Finscom.

In the initial three months of 2016, EBITDA performance was better than in the first quarter of the previous year, and above expectations.

The better result than expectations is due to some main factors; i) better than expected revenues and margins from sports betting, also due to higher wagers and a better payout; ii) increased wagers on virtual events and on-line games, iii) reduction of some overheads thanks to the Cogemat Group merger.

Material events in the first quarter 2016

Payments of the contribution as per the 2015 Stability Law

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

Repayment of the ADM guarantee deposit

In March, the concession holders Snai S.p.A. and Cogetech S.p.A. received a notice from ADM on the achievement percentage of service levels used to calculate the amount of Guarantee Deposit to be repaid in 2015. The Guarantee Deposit that the SNAI Group is expecting to receive from ADM amounts to around Euro 37.4 million.

Ordinary inspection by UIF (Financial Intelligence Unit)

On 21 March 2016, the UIF (Financial Intelligence Unit) for Italy started an ordinary inspection at the company SNAI S.p.A., pursuant to articles 47 and 53, par. 4, of Legislative Decree 231/07, in relation to further assessments on the reporting of suspicious transactions. The company SNAI S.p.A. supplied the utmost collaboration and support to Authorities. The assessment ended on 15 April 2015.

Lease of SIS Business Unit

On 29 February 2016, the condition precedent was fulfilled as set out by Art. 9.3 of the purchase agreement of the former SIS business unit, currently under lease agreement. To date, procedures are being completed, as shared with the authorities connected with the composition with creditors of SIS, for the closing of the transaction. Its completion is likely to occur within the month of June 2016.

Appointment of new CFO

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

Events occurred after the period

As regards the other events occurred after the period, reference is made to Note 39.



Condensed Interim Consolidated Financial Statements as at 31 March 2016

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

Milan, 13 May 2016

SNAI Group - Consolidated Statement of Comprehensive Income

<i>amounts in thousands of Euro</i>	Note	1st Quarter	
		2016	2015
Revenues from sales and services	4	217,931	128,417
Other revenue and income	5	2,264	27,706
Change in inventory of finished and semi-finished products		0	(16)
Raw materials and consumables	6	(247)	(151)
Costs for services and use of third party assets	7	(153,266)	(92,143)
Costs of personnel	8	(14,866)	(9,364)
Other operating costs	9	(13,557)	(8,356)
Capitalised internal construction costs	10	225	225
Profit/(loss) before amortisation, depreciation, write-downs, financial income/expenses, taxes		38,484	46,318
Amortisation, depreciation and write-downs	11	(17,116)	(14,204)
Other provisions	28	0	0
Earnings before interest and taxes		21,368	32,114
Gains and expenses from shareholdings		0	0
Financial income		232	338
Financial expenses		(15,599)	(14,144)
Total financial income and expenses	12	(15,367)	(13,806)
PROFIT/(LOSS) BEFORE TAXES		6,001	18,308
Income tax	13	(4,393)	(6,872)
Profit/(Loss) for the period		1,608	11,436
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0	0
Net (loss)/profit from derivatives as cash flow hedges		0	531
Profit/(Loss) from available-for-sale financial assets		17	0
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes		17	531
Total profit/(loss) in comprehensive income statement, after taxes	24	17	531
Comprehensive profit (loss) for the period		1,625	11,967
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		1,608	11,436
Profit (loss) for the period pertaining to Third parties		0	0
Comprehensive profit (loss) for the period pertaining to the Group		1,625	11,967
Comprehensive profit (loss) for the period pertaining to Third Parties		0	0
Basic earnings (loss) per share in Euro	25	0.01	0.10
Diluted earnings (loss) per share in Euro	25	0.01	0.10

With regard to transactions with related parties, reference is made to Note 33 "Related parties".

SNAI Group - Consolidated balance sheet

<i>amounts in thousands of Euro</i>	Note	31.03.2016	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment owned		140,821	144,207
Assets held under financial lease		2,863	2,936
Total property, plant and equipment	14	143,684	147,143
Goodwill		306,203	306,203
Other intangible assets		157,430	166,057
Total intangible assets	15	463,633	472,260
Shareholdings measured using the equity method		2,490	2,490
Shareholdings in other companies		50	50
Total shareholdings	16	2,540	2,540
Deferred tax assets	17	97,957	100,160
Other non-financial assets	20	3,134	3,304
Financial assets	21	1,773	1,773
Total non-current assets		712,721	727,180
Current assets			
Inventories	18	576	641
Trade receivables	19	144,577	136,169
Other assets	20	70,025	58,272
Current financial assets	21	19,972	21,432
Cash and cash equivalents	22	111,979	107,588
Total current assets		347,129	324,102
TOTAL ASSETS		1,059,850	1,051,282
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity pertaining to the Group			
Share Capital		97,982	97,982
Reserves		37,660	91,874
Profit/(Loss) for the period		1,608	(54,231)
Total Shareholders' Equity pertaining to the Group		137,250	135,625
Shareholders' Equity pertaining to minority interests			
Total Shareholders' Equity	23	137,250	135,625
Non-current liabilities			
Post-employment benefits	26	8,633	8,641
Non-current financial liabilities	27	573,901	573,101
Deferred tax liabilities	17	71,833	70,937
Provisions for risks and charges	28	25,177	27,099
Sundry payables and other non-current liabilities	29	5,938	6,264
Total non-current liabilities		685,482	686,042
Current liabilities			
Trade payables	30	35,506	42,365
Other liabilities	29	185,067	183,686
Current financial liabilities		16,545	3,564
Current portion of long-term borrowings		0	0
Total financial liabilities	27	16,545	3,564
Total current liabilities		237,118	229,615
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,059,850	1,051,282

With regard to transactions with related parties, reference is made to Note 33 "Related parties".

SNAI Group: Interim consolidated financial statements as at 31 March 2016 - Condensed interim consolidated financial statements

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
(amounts in thousands of Euro)

	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve (IAS 19)	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Total Shareholders' Equity Group	Total Shareholders' Equity Third	Total Shareholders' Equity
Balance as at 01.01.2015		60,749	1,559	13,946	(2,124)	(720)	0	773	(26,082)	48,101	0	48,101
Loss for fiscal year 2014								(26,082)	26,082	0		0
Profit/(Loss) for the period	25				531	0	0		11,436	11,436		11,436
Other comprehensive profit/(loss)										531		531
Net amounts as at 31.03.2015		0	0	0	531	0	0	0	11,436	11,967		11,967
Balance as at 31.03.2015		60,749	1,559	13,946	(1,593)	(720)	0	(25,309)	11,436	60,068	0	60,068
	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit	Treasury share reserve	Profit (loss) carried forward	Profit (loss) for the year	Total Shareholders' Equity	Total Shareholders'	Total Shareholders' Equity
Balance as at 01.01.2016		97,982	0	102,627	0	(849)	(111)	(9,793)	(54,231)	135,625	0	135,625
Loss for fiscal year 2015	24		0	0				(54,231)	54,231	0		0
Profit/(Loss) for the period	25				0		0	17	1,608	1,608		1,608
Other comprehensive profit/(loss)										17		17
Net amounts as at 31.03.2016		0	0	0	0	0	0	17	1,608	1,625		1,625
Balance as at 31.03.2016		97,982	0	102,627	0	(849)	(111)	(64,007)	1,608	137,250	0	137,250

SNAI Group - Consolidated Cash Flow Statement

<i>amounts in thousands of Euro</i>	Note	31.03.2016	31.03.2015
A. CASH FLOW FROM OPERATIONS			
Profit (loss) for the period pertaining to the Group		1,608	11,436
Profit (loss) for the period pertaining to Third parties		0	0
Amortisation, depreciation and write-downs	11	17,116	14,204
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	17	3,099	4,705
Change in provision for risks	28	(1,922)	(534)
(Capital gains) capital losses from non-current assets (including shareholdings)		52	27
Portion of earnings pertaining to shareholdings measured using the equity method (-)	12	0	0
Net change in sundry non-current trade assets and liabilities and other changes	20-29	(156)	189
Net change in current trade assets and liabilities and other changes	18-19-20- 29-30	(25,574)	(12,852)
Net change in post-employment benefits	26	(8)	(4)
CASH FLOW FROM (USED IN) OPERATIONS (A)		(5,785)	17,171
B. CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment (-)	14	(1,308)	(2,758)
Investments in intangible assets (-)	15	(3,786)	(747)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		12	53
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		(5,082)	(3,452)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Change in financial receivables and other financial assets	21	1,477	(533)
Change in financial liabilities	27	13,781	12,124
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		15,258	11,591
D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)			
E. TOTAL CASH FLOW (A+B+C+D)		4,391	25,310
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)		107,588	68,629
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY			
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	22	111,979	93,939

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

CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES
AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:

Cash and cash equivalents	107,588	68,629
Bank overdrafts		
Discontinued operations		
	107,588	68,629

CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES
AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:

Cash and cash equivalents	111,979	93,939
Bank overdrafts		
Discontinued operations		
	111,979	93,939

Interest expenses paid in the first quarter of 2016 amounted to around Euro 11 thousand (Euro 579 thousand in the first quarter of 2015).

In the first quarter of 2016 and 2015 no taxes were paid.

INTERIM MANAGEMENT REPORT AS AT 31 March 2016

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Relevant accounting standards

Consolidation scope

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

The consolidated financial statements of the SNAI Group as at 31 March 2016 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
- Teleippica S.r.l. held by a sole quotaholder
- SNAI Rete Italia S.r.l. held by a sole quotaholder
- Finscom S.r.l.
- Cogemat S.p.A.
- Cogetech S.p.A.
- Cogetech Gaming S.r.l.
- Azzurro Gaming S.p.A.
- Fondazione IziLove Foundation

The consolidation scope remained unchanged with respect to 31 December 2015.

The consolidation scope changed, with respect to 31 March 2015, in so far as:

- on 3 April 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10 thousand, also aimed at the acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points;
- on 1 April 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l., in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on 8 April 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom. Following the waiver by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09. At the end of the aforesaid transactions, Finscom's share capital was entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.
- On 25 March 2015, SIS S.r.l. in liquidation ("SIS"), was admitted to the agreement with creditors with decree issued by the Court of Rome. For this purpose, SIS published a call for interest for the rental and following purchase of a business unit, which includes 55 sales points managed by this company according to agreements with SNAI. SNAI S.p.A. therefore asked and obtained to be admitted to the selection opened by the SIS proceeding and submitted a fixed, binding and irrevocable offer, with the term of 45 days, for the rental and purchase of the business unit. SNAI S.p.A.'s offer, drawn up also in the name and on behalf of the subsidiary SNAI Rete Italia S.r.l.. The offer of SNAI S.p.A. was deemed as the most convenient and, on 7 July 2015, SNAI Rete Italia signed the lease agreement (and subsequent transfer agreement) of the SIS company, effective on 22 July 2015. By virtue of the above, in the second half of 2015 fifty-four shops were reopened.
- On 19 November 2015, the company SNAI S.p.A. acquired 100% of the share capital of Cogemat S.p.A. through the increase of the capital, which is instrumental to the transfer of the capital of the latter. Cogemat S.p.A. owns: 100% of the share capital of Cogetech Gaming S.r.l., Cogetech S.p.A. and Fondazione IziLove Foundation. Cogetech S.p.A. owns the entire share capital of Azzurro Gaming S.p.A.

The interim financial statements of the companies included in the consolidation area were opportunely reclassified and corrected in order to align them with the IFRS accounting standards and valuation criteria used by the Parent Company (reporting package), and were approved by the respective corporate bodies.

The consolidated financial statements as at 31 March 2016 were approved by the directors of the Parent Company at the board of directors' meeting held on 13 May 2016 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. Directors' estimates related to the going concern requirements

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

With special reference to the quarter ended 31 March 2016, the Directors highlighted that the Group reported a net profit of Euro 1.6 million. Net financial indebtedness, equal to Euro 478.5 million, is mainly composed of bond loans issued and subscribed on 4 December 2013 (Euro 320 million and Euro 160 million) and on 28 July 2015 (Euro 110 million), to be repaid in 2018.

Directors reported that the profit for the first quarter of 2016 amounted to Euro 1.6 million, over a profit for the period of the previous year of Euro 11.4 million, including the positive effect of the Barcrest transaction, measured in the first quarter 2015. Directors also highlight that the net result is better than expectations, mainly thanks to some main factors; i) better than expected revenues and margins from sports betting, also due to higher wagers and a better payout; ii) increased wagers on virtual events and on-line games, iii) reduction of some overheads thanks to the Cogemat Group merger.

Moreover, Directors reported that the merger with the Cogemat Group, completed on 19 November 2015, allowed for the increase in share capital, in the amount of around Euro 37.2 million in 2015, and more generally the increase in Shareholders' Equity, in the amount of Euro 140 million. By virtue of the same transaction, the Shareholders' Equity as at 31 March 2016 amounted to Euro 137.3 million, compared to Euro 135.6 million as at 31 December 2015. In addition to the effects on Shareholders' Equity and indebtedness, Directors underline that the three extraordinary transactions, which characterised the year 2015 (Cogemat, SIS e Finscom), define a new consolidation area of the SNAI Group, with a:

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

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

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

- Renewal of concessions for the network of sales points for betting, to be due on 30 June 2016. The Company aims at renewing its concessions in the field of bets as this plays an important role in its business. Based on information available today on the characteristics of the tender related to betting, as set out by 2016 Stability Law, the Company deems that the Group will be eligible to obtain the renewal of the concessions currently managed.

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

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

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

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

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

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

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

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

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

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

1.2. Accounting standards

(a) General principles

These condensed interim consolidated financial statements as at 31 March 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements do not disclose all information required for the drafting of the annual consolidated financial statements. For this reason the condensed interim consolidated financial statements should be read together with the consolidated financial statements as at 31 December 2015.

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 year ended 31 December 2015, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, as described below. The adoption of these amendments and interpretations had no significant impact upon the Group's financial position and economic performance.

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

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

In accordance with paragraph 28 of IAS 8, the IFRSs that have come into effect as from 1 January 2015 and are applied by the Group are summarized and briefly illustrated below:

The various amendments to the accounting standards applied for the first time in 2016 had no impact on the consolidated financial statements.

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

The amendments to IFRS 11 envisage that a joint operator, who reports the acquisition of an interest in a joint control contract in which the activity of the joint operation constitutes a business, should apply the principles as defined in IFRS 3 on the basis of the business combinations guidance. The amendments clarify that, in the event a joint control is

maintained, the interest previously held in a joint-control agreement shall not be re-measured upon the acquisition of another interest. Moreover, for clarification purposes, the following was excluded from the object of the IFRS 11. Amendments are not applicable when the parties in a joint control, including the entity that prepares the financial statements, are subject to the control of the same ultimate controlling entity. Amendments are applicable to both the acquisition of the initial interest in a joint-control agreement, and the acquisition of any further interest in the same joint-control agreement. Amendments should be applicable prospectively to the annual periods beginning on or after 1 January 2016. Early application is permitted. No impact on the Group was reported while applying these amendments.

Amendments to IAS 16 and IAS 41: Agriculture - bearer plants

The amendment clarifies that living plants that are used solely in the production of agricultural products over the various years (bearer plants) should be subjected to the same accounting treatment as per property, plant and equipment, according to standard IAS 16 Property, Plant and Equipment, as the concept is similar to manufacturing production. Amendments should be applicable prospectively to the annual periods beginning on or after 1 January 2016. Early application is permitted. No impact on the Group was reported while applying these amendments.

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

These amendments clarify the principle, included in IAS 16 and IAS 38, that revenues reflect a model of economic benefits generated by the management of a business (in which the asset is embodied), rather than the consumption of the economic benefits when an asset is used. As a result, a method based on revenues cannot be used for depreciation of real estate properties, plant and machinery and could be used only in very restricted circumstances when amortising intangible assets. Amendments should be applicable prospectively to the annual periods beginning on or after 1 January 2016. Early application is permitted. No impact on the Group was reported while applying these amendments, given that the Group does not use revenue-based methods for the amortisation/depreciation of non-current assets.

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

The amendments to IAS 1 clarify some elements perceived as restrictions to the use of judgement by the persons in charge of preparing the financial statements and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

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

The amendments will reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and affiliates in an entity's separate financial statements. Entities that are already applying the IFRS standards and elect to modify the accounting principles by adopting the equity method to their separate financial statements should apply the amendment retrospectively. In the event of first-time adoption of IFRSs, the entity that elects to adopt the equity methods in the separate financial statements should apply this standard at the transition date to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. No impact on the Group was reported while applying these amendments.

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

The amendment clarifies the critical issues resulting from applying the exception to consolidation, as envisaged for investment entities, and it is effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

Annual cycle of IFRS improvements - 2012-2014

Improvements will be effective on or after 1 January 2016 and relate to the following issues:

IFRS 5: Guideline to reclassification of disposal methods;

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

IAS 19: Clarification on the discount rate;

IAS 34: Clarification on the meaning of "in other sections of the interim financial statements".

The accounting layouts adopted by the SNAI Group for the fiscal period ended on 31 March 2016 have not changed from those adopted on 31 December 2015.

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

Reporting format of the Financial Statements

The format adopted by the Group is the following:

Consolidated 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 consistent with the Company's activities.

Statement of Changes in Consolidated Shareholders' Equity

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

With respect to disclosures in the financial statements as at 31 March 2015, the following items were reclassified to improve disclosure of items in the Income Statement:

- from item "Revenue from sales of goods and services" to item "Other revenue and income", in the amount of Euro 39 thousand, mainly related to revenues from organisation and technology sales;
- from item "Costs of third-party services and leasing/rental expenses" to item "Other operating costs", in the amount of Euro 18 thousand, related to the urban waste tax.

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 racing bets, lawful gaming through AWP (formerly known as new slots) and through VLTs (videolotteries) as well as on-line skill, bingo and casino games. That market is regulated by the State authorities by issuing concessions.

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

Owner	Qty	Subject matter	Due date
SNAI S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.	March 2022
SNAI S.p.A.	1 Concession Code 4311	Operation of public gaming 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.	1 Concession Code 4028	Operation 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.	1 Concession Code 4801	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 15215	Operation through the on-line wagers of the following games: a) sports betting; b) horse racing betting; c) horse racing and sports betting pools; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	September 2020
SNAI S.p.A.	1 Concession Code 4501.*	Operation of horse racing and sports public games as per Art. 10, par. 9- octies, of Law Decree no. 16 of 2 March 2012, converted as amended into Law no. 44 of 26 April 2012.	June 2016
COGETECH S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.	March 2022
COGETECH S.p.A.	1 Concession Code 4304	Operation of public gaming 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

COGETECH S.p.A.	1 Concession Code 4011	Operation 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
COGETECH S.p.A.	1 Concession Code 4843	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof	June 2016
COGETECH S.p.A.	1 Concession Code 15113	Operation through the on-line wagers of the following games: a) sports betting; b) horse racing betting; c) horse racing and sports betting pools; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4319	Operation of public gaming 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
COGETECH GAMING S.r.l.	1 Concession Code 4052	Operation 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
COGETECH GAMING S.r.l.	1 Concession Code 4804	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof	June 2016
COGETECH GAMING S.r.l.	1 Concession Code 4505*	Operation of horse racing and sports public games as per Art. 10, par. 9-10, of Law Decree no. 16 of 2 March 2012, converted as amended into Law no. 44 of 26 April 2012.	June 2016

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

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

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

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

It should be also recalled that some concessions set out that concession holders should maintain "equity soundness requirements" to prove the fulfilment of some capital ratios, which, if unfulfilled over a prolonged period of time, would theoretically result in a procedure related to the expiration or revocation of concessions themselves. In 2015, ADM started a monitoring process on SNAI concerning the non-fulfilment of these capital ratios. Supported by (i) the fact that as at 31 December 2015 the ratio deemed as the most important (net indebtedness/shareholders' equity ratio) was fulfilled, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is unlikely (iii) the written confirmation by ADM that the proceeding started is only for monitoring purposes, the Directors believe that there are no risks resulting from the unfulfilment of the capital ratios that might affect the maintenance or renewal of concessions.

3. Operating segments

The segment reporting is presented by "operating segment". The segment 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 segments:

- services;
- management of Racetracks;
- concessions;
- television services.

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

- **Services:** this segment includes operations related to the management of the racetracks, including real estate management and organization of races. These activities are essentially managed by SNAI S.p.A and Cogetech S.p.A.;

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

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

The sector results include both directly attributable elements and amounts attributable through a reasonable allocation for both costs that are common to more than one sector, and indirect costs. Conversely, revenues for the sale of software and technology, those for the set-up of stores and other revenues not included under the four specific business areas are not attributed to the main sectors. Therefore, the costs related to the above-mentioned revenues, as well as the financial income and expenses not attributable to those four main business areas, are not attributed to specific sectors but rather to overall corporate governance.

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

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

(amounts in thousands of Euro)

	Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015	31.03.2016	31.12.2015	31.03.2016	31.12.2015	31.03.2016	31.12.2015	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Sector assets	7,082	7,287	5,268	5,968	422,780	402,116	3,848	3,425	2,855	2,807	0	0	441,833	421,603
Property, plant and equipment and intangi	13,532	13,630	103,304	103,831	474,257	485,304	3,039	3,225	1	(93)	0	0	594,133	605,897
Unallocated property, plant and equipment and intangible assets													13,184	13,506
Shareholdings in associates	0	0	2,490	2,490	0	0	0	0	50	50	0	0	2,540	2,540
Unallocated assets													8,160	7,736
Total Assets	20,614	20,917	111,062	112,289	897,037	887,420	6,887	6,650	2,906	2,764	0	0	1,059,850	1,051,282
Sector liabilities	20,113	6,692	6,977	7,907	869,201	870,008	1,844	2,717	1,605	1,734	0	0	899,740	889,058
Unallocated liabilities													22,860	26,599
Total Liabilities	20,113	6,692	6,977	7,907	869,201	870,008	1,844	2,717	1,605	1,734	0	0	922,600	915,657
Investments:														
Property, plant and equipment and intangi	101	1,586	430	5,384	4,147	190,828	73	545	0	0	0	0	4,751	198,343
Unallocated property, plant and equipment and intangible assets													343	2,943

Income statement by business segment

(amounts in thousands of Euro)

	Services		Manag. of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	1st Quarter of 2016	1st Quarter of 2015	1st Quarter of 2016	1st Quarter of 2015	1st Quarter of 2016	1st Quarter of 2015	1st Quarter of 2016	1st Quarter of 2015	1st Quarter of 2016	1st Quarter of 2015	1st Quarter of 2016	1st Quarter of 2015	1st Quarter of 2016	1st Quarter of 2015
Sector revenues	4,027	3,397	1,726	1,243	212,068	149,169	2,287	2,282	87	32	0	0	220,195	156,123
Inter-sector revenues	387	29	61	45	0	4	791	746	348	125	(1,587)	(949)	0	0
Sector costs	(2,912)	(1,905)	(3,316)	(3,457)	(191,256)	(116,826)	(2,784)	(2,788)	(146)	18	1,587	949	(198,827)	(124,009)
Results of operations	1,502	1,521	(1,529)	(2,169)	20,812	32,347	294	240	289	175	0	0	21,368	32,114
Quotas of results of operations pert	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial (expenses) and income	(59)	(4)	(9)	(9)	(15,297)	(13,775)	(2)	(18)	0	0	0	0	(15,367)	(13,806)
Income tax													(4,393)	(6,872)
Profit/(Loss) for the period													1,608	11,436
The results of operations include:														
Amortisation, depreciation and write-downs	(218)	(140)	(959)	(945)	(15,678)	(12,851)	(260)	(267)	(1)	(1)	0	0	(17,116)	(14,204)

The following is to be highlighted in the first quarter of 2016:

- the operating results of the "Management of racetracks" segment are lower than results of 2015 for the combined effect of: i) positive effects on all products resulting from the acquisition of the Cogemat Group; ii) integral contribution of the 63 shops owned by Finscom and SIS, which were closed in the first quarter of 2015 iii) better revenues and margins from sports betting, compared to last year; iv) better performance of skill games in terms of revenues and margins; v) positive effect connected with the Barcrest transaction in the first quarter of 2015;
- better operating results of the "Management of racetracks" segment, partly connected with the opening of the new racetrack "La Maura" in Milan, as well as the simultaneous control of operating costs.

Notes on the main items of the consolidated comprehensive income statement

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 March 2015.

4. Revenues from sales and services

In the first quarter of 2016, revenues from sales and services amounted to Euro 217,931 thousand (revenues for the first quarter of 2016 included the contribution of the Cogemat Group, totalling Euro 91,339 thousand), against Euro 128,417 thousand reported in the first quarter of 2015 and broken down as follows:

thousands of Euro	Ist Quarter		Change
	2016	2015	
Net revenues from the collection of fixed-odds and reference sports and horse racing betting	38,721	26,896	11,825
Revenues from totalisator, national horse racing/sports forecast bets	5,208	4,769	439
Revenues from Gaming Machines	147,668	75,245	72,423
Net revenues from on-line games (Skill/Casino/Bingo)	6,077	4,636	1,441
Revenues from betting collection services	1,286	1,045	241
Revenues from virtual events	10,973	9,114	1,859
Revenues from virtual event services	771	822	(51)
Revenues from commissions	778	836	(58)
Revenues from service and assistance contracts	1,071	1,183	(112)
Revenues from the operation of betting services at racetracks	1,059	799	260
Operation of racetrack and real estate properties	288	251	37
Revenues from television services and related services	2,407	2,303	104
Other services and sales to third parties	1,624	518	1,106
Total	217,931	128,417	89,514

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

thousands of Euro	Ist Quarter	
	2016	2015
Fixed-odds Sports Betting	259,216	192,672
Refunds of Fixed-odds Sports Betting	(148)	(214)
Winnings of Fixed-odds Sports Betting	(211,953)	(158,606)
Fixed-odds Sports Single Tax	(9,011)	(7,609)
Net Fixed-odds Sports Betting	38,104	26,243
Fixed-odds Horse Racing Bets and Reference Horse Racing Bets	9,687	6,929
Fixed-odds Horse Racing and Reference Horse Racing Refunds	(73)	(36)
Fixed-odds Horse Racing and Reference Horse Racing Winnings	(7,780)	(5,392)
Fixed-odds Horse Racing and Reference Horse Racing Single Tax	(400)	(279)
Horse Racing Withholding	(817)	(569)
Net Fixed-odds and Reference Horse Racing Betting	617	653
Total net revenues from fixed-odds and reference betting	38,721	26,896

Net revenues from sports betting increased, compared to amounts reported in the first quarter of the previous year, due to lower payout and higher wagers in the gaming machines segment, also according to a certain number of gaming points that were closed in the first eight months of the year, given the financial position of the management company. In the first quarter of 2016, the payout on sports betting, including the amounts recognised as bonuses, amounted to approximately 81.8% compared to 82.41% in the same period of the previous year. The above-mentioned revenues included Euro 3,160 thousand, which are related to the consolidation of the Cogemat Group.

Revenues from the concessions for the management of the network of the gaming machines (ADI) amounted to a total of Euro 147,668 thousand in the first quarter of 2016 (of which Euro 85,223 thousand attributable to the consolidation of the Cogemat Group), which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item "Costs of third-party services and leasing/rental expenses" in Note 7. It should be recalled that (pursuant to Law Decree no. 95 of 6 July 2012, (since 1 December 2012, the Customs incorporated the ADM office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency)), the concession holders are required to pay to ADM an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The receivable, equal to Euro 47,054 thousand and recognised in the balance sheet, is related to the "Guarantee deposits of gaming machines", paid in 2015 and in the first quarter of 2016 (see Note 21), of which Euro 19,223 thousand related to SNAI S.p.A. and Euro 27,831 thousand related to Cogetech S.p.A. The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. The Group received formal notice by ADM that, based on the checks performed, the service levels achieved in 2015 are sufficient to allow the guarantee deposit to be refunded.

Revenues from on-line gaming, equal to Euro 6,077 thousand, include Euro 266 thousand related to the consolidation of the Cogemat Group and are broken down as follows:

thousands of Euro	Ist Quarter	
	2016	2015
On-line Skill and Casino Games	232,921	183,498
Winnings	(225,070)	(177,418)
Single Tax	(1,774)	(1,444)
Net revenues from on-line games (Skill/Casino/Bingo)	6,077	4,636

Revenues from virtual events, equal to Euro 10,973 thousand, include Euro 1,106 thousand related to the consolidation of the Cogemat Group and are broken down as follows:

thousands of Euro	Ist Quarter	
	2016	2015
Revenues from virtual events	84,142	68,115
Winnings and reimbursements of virtual events	(70,375)	(56,711)
Flat-rate tax on virtual events	(2,794)	(2,290)
Total net revenues from virtual events	10,973	9,114

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

5. Other revenue and income

The other revenue and income item, equal to Euro 2,264 thousand in the first quarter of 2016 (Euro 27,706 thousand in the first quarter of 2015) breaks down as follows:

thousands of Euro	Ist Quarter		
	2016	2015	Change
Lease of assets and chargeback of ancillary expense	36	41	(5)
Active trading	1,740	27,474	(25,734)
Revenue from compensation and reimbursement for damages	75	1	74
Grants to UNIRE investments fund	13	13	0
Capital gain from the sale of assets	8	15	(7)
Revenues from organisation and technology sales	51	34	17
Other revenue and income	341	128	213
Total	2,264	27,706	(25,442)

The change in active trading, equal to Euro 25,734 thousand, is mainly attributable, in the amount of Euro 27,457 thousand, to the already mentioned transaction concluded on 19 February 2015 between SNAI, on the one side, Barcrest Group Limited and The Global Draw Limited on the other side, and their parent company Scientific Games Corporation.

6. Raw materials and consumables

The cost of raw materials and consumables amounted to a total of Euro 247 thousand in the first quarter of 2016 (Euro 151 thousand in the first quarter of 2015), mainly related to materials used in bet collection, technology and the furnishings installed in the new sales points.

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 153,266 thousand in the first quarter of 2016 and include Euro 72,231 thousand of the Cogemat Group (Euro 92,143 thousand in the first quarter of 2015), as broken down below:

thousands of Euro	Ist Quarter		Change
	2016	2015	
Betting acceptance management	19,084	17,386	1,698
Gaming Machine services	109,631	56,738	52,893
On-line games management (Skill/Casino/Bingo)	1,538	1,108	430
Bookmakers	523	468	55
On-line gaming services	1,592	1,393	199
Virtual races management costs	4,522	3,845	677
Management of Racetracks	210	138	72
Television and radio services	1,814	1,877	(63)
Rent of stations	94	96	(2)
Consultancy cost and expense reimbursements	1,318	1,990	(672)
Utilities and telephone	2,507	1,817	690
Equipment repair and maintenance	2,294	1,970	324
Advertising and promotion	2,066	580	1,486
Installations, logistics and design	474	173	301
Personnel costs for collaborations and other	47	138	(91)
Insurance and guarantees	585	369	216
Market research	21	55	(34)
Marketing materials	364	165	199
Lease fees and ancillary charges	1,388	200	1,188
Operating leases and other leasing	678	275	403
Directors' fees	636	509	127
Independent Auditors' fees	154	111	43
Statutory Auditors' fees	106	57	49
Regulation authority and other committees fees	61	45	16
Expense reimbursement to directors and auditors	8	6	2
Other	1,551	634	917
Total	153,266	92,143	61,123

In particular, the table shows:

- the betting sports and horse race betting collection service fees granted to the managers of horse race and sports stores and betting corners changed from Euro 17,386 thousand in the first quarter of 2015 to Euro 19,084 thousand in the first quarter of 2016, of which Euro 2,247 thousand of the Cogemat Group;
- costs for ADI services (for a total of Euro 109,631 thousand, of which Euro 61,840 thousand of the Cogemat Group, compared to Euro 56,738 thousand in the first quarter of 2015), that include the collection fees paid to third parties and the costs for the VLT platforms;
- costs for the management of virtual events (for Euro 4,522 thousand, of which Euro 480 thousand of the Cogemat Group, compared to Euro 3,845 thousand in the first quarter of 2015), that include the costs related to the operator and the costs for the platform.

The "Other" item mainly comprises non-competition agreement, IT services, 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

Costs of personnel totalled Euro 14,866 thousand in the first quarter of 2016 over Euro 9,364 thousand in the first quarter of 2015, up by Euro 5,502 thousand (58.76%) primarily due to the lease of the business unit S.I.S. S.r.l. occurred on 22 July 2015 and the bearing of various personnel costs resulting from the acquisition of the Cogemat Group and of Finscom S.r.l.

thousands of Euro	1st Quarter		
	2016	2015	Change
Salaries and wages	10,553	6,586	3,967
Social security expenses	3,043	1,973	1,070
Accrual to defined-benefit/defined-contribution plans	727	379	348
Costs for personnel training	45	13	32
Expense reimbursement to employees	222	127	95
Meal tickets	242	209	33
Other costs of personnel	34	77	(43)
Total	14,866	9,364	5,502

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 composition of the employees as at 31 March 2016 is described in the following table, which shows an increase of 20 individuals compared to 31 December 2015.

31.03.2015		31.12.2015	Accruals for the period	Disbursements for the period	31.03.2016	Average no. in period
26	Executives	37	0	4	33	34
629	Office workers and middle managers	1,218	15	31	1,202	1,208
65	Blue-collar workers	62	0	0	62	62
720	* Total Employees	1,317	** 15	35	1,297	*** 1,304

* of whom 129 part-time and 16 on maternity leave

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

*** of whom 341 part-time and 22 on maternity leave

9. Other operating costs

Other operating costs totalled Euro 13,557 thousand for the first quarter of 2016, including Euro 4,964 thousand related to the Cogemat Group (Euro 8,356 thousand in the first quarter of 2015).

thousands of Euro	1st Quarter		
	2016	2015	Change
Concessions and licenses	7,787	3,888	3,899
Stability Law cost	0	1,468	(1,468)
Administration fines	6	31	(25)
% non-deductible VAT	938	959	(21)
Provision for doubtful debts	1,804	1,052	752
Credit losses	458	131	327
Provision for risks	202	79	123
Entertainment expenses	31	11	20
Subscription fees	81	47	34
Other taxes	180	155	25
IMU (real estate tax)	265	265	0
Stationery, consumables and promotional materials	61	13	48

Environmental and health controls	28	28	0
Losses on settlement of disputes	1,341	86	1,255
Capital losses from sale of assets	60	42	18
Other administration and operating costs	315	101	214
Total	13,557	8,356	5,201

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on gaming machines for a total amount of Euro 5,896 thousand, calculated at 0.30% of the volume wagered and paid to ADM on a bimonthly basis. Euro 2,400 thousand are related to SNAI S.p.A. and Euro 3,496 thousand are related to Cogetech S.p.A. for the related months of consolidation;
- the concession fee for the marketing of public gaming concessions on 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"), in the amount of Euro 1,531 thousand, of which Euro 1,330 thousand related to SNAI S.p.A. and Euro 201 thousand related to Cogetech S.p.A.;
- the concession fee for remote public gaming, in the amount of Euro 217 thousand, of which Euro 198 thousand related to SNAI S.p.A. and Euro 19 thousand related to Cogetech S.p.A.;
- the television licence fees in the amount of Euro 60 thousand.

The item Costs for Stability Law was related to costs pertaining to the SNAI Group for the reduction in collection fees, as provided for by the Stability Law for year 2015, which are no longer applicable in the current year.

In the first quarter of 2016, a provision for doubtful receivables was recognised in the amount of Euro 1,804 thousand in accordance with the best estimates of recoverability of receivables in previous years pertaining to the Company's typical operations that have proven increasingly difficult to collect in the course of business.

During the first quarter of 2016, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 202 thousand, as provided for by the concession agreement for the building and running of networks for the on-line management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.

The "% non-deductible VAT", equal to Euro 938 thousand, relates to particular operations performed by SNAI S.p.A., Trenno S.r.l., SNAI Rete Italia S.r.l. and Finscom S.r.l., which generate in part revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases.

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

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

Losses on settlement of disputes are primarily due to the Barcrest matter.

10. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 225 thousand in the first quarter of 2016 (Euro 225 thousand in the first quarter of 2015), are essentially related to software generated internally for:

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

11. Amortisation, depreciation and write-downs

These amount to a total of Euro 17,116 thousand for the first quarter of 2016 (Euro 14,204 thousand in the first quarter of 2015), as detailed below:

thousands of Euro	1st Quarter		
	2016	2015	Change
Amortisation of intangible assets	12,353	9,986	2,367
Depreciation of property, plant and equipment	4,763	4,218	545
Total	17,116	14,204	2,912

Amortisation/depreciation referable to the Cogemat Group for the consolidated period are equal to Euro 2,567 thousand and Euro 1,058 thousand, for intangible assets and property, plant and equipment, respectively.

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 quarter of 2016, net financial expenses amounted to Euro 15,367 thousand, up by Euro 1,561 thousand over the first quarter of 2015, as detailed below:

thousands of Euro	1st Quarter		
	2016	2015	Change
Financial income			
Gains on foreign exchange	7	0	7
Bank interest income	160	297	(137)
Misc. interest income	65	41	24
	232	338	(106)
Financial expenses			
Interest expense on bond loan	13,839	12,209	1,630
Other interest expense	28	48	(20)
Bank interest expense	2	0	2
Exchange rate losses	1	12	(11)
Interest expense and ancillary charges on leasing	25	55	(30)
Interest expense on post-employment benefits	41	14	27
Other financial expenses	1,663	1,806	(143)
	15,599	14,144	1,455
Total	(15,367)	(13,806)	(1,561)

Financial income includes interest income accrued on bank accounts in the amount of Euro 160 thousand and other interest income for Euro 65 thousand mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses mainly include the following:

- expenses and interest on bond loans, calculated in accordance with the depreciated cost method under IAS 39 by applying the effective interest rate on loans amounting to Euro 13,839 thousand of which Euro 842 thousand can be attributed to ancillary costs. These charges are related, in the amount of Euro 636 thousand, to Euro 480,000 thousand bond loans issued on 4 December 2013, and, in the amount of Euro 206 thousand, to the Euro 110 thousand bond loan issued on 28 July 2015 (for further details on bond loans, reference is made to Note 27);
- interest expense calculated on financial leasing in the amount of Euro 9 thousand and ancillary charges on leasing for Euro 16 thousand, including non-deductible VAT;
- other financial expenses, including Euro 935 thousand of commissions on bank guarantees, Euro 271 thousand for commissions payable on revolving credit line and Euro 432 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 quarter of 2016, show a negative balance of Euro 4,393 thousand.

thousands of Euro	Q1 2016	Q1 2015
IRES	229	598
IRAP	1,065	1,569
Allocation to provision for deferred tax liabilities	1,188	1,315
Use of provision for deferred tax liabilities	(292)	(47)
Deferred tax assets	(404)	(362)
Reversal of deferred tax assets	2,607	3,799
Total	4,393	6,872

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the interim financial statements as at 31 March 2016, and the theoretical tax charge (in thousands of Euro):

	31.03.2016		31.03.2015
Profit before tax	6,001		18,308
Theoretical IRES tax charge	27.50% (1,650)	27.50%	(5,035)
Theoretical IRAP tax charge	5.12% (307)	5.12%	(937)
Total Theoretical tax (charge)/credit	(1,958)		(5,972)
Fines, penalties and other taxes	(117)		(9)
Other permanent non-deductible costs	(2,429)		(139)
Other permanent tax deductions	3,221		126
	(1,283)		(5,994)
Permanent differences for IRAP tax purposes (including employees)	(3,110)		(878)
	(4,393)		(6,872)
Tax and duties for prior year	0		0
Actual tax (charge)/credit	-73.20% (4,393)	-37.54%	(6,872)

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 year finalised for tax purposes was the year 2010.

Reference is made to Note 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 2015.

14. Property, plant and equipment

Property, plant and equipment as at 31 March 2016 amounted to Euro 143,684 thousand (Euro 147,143 thousand). The change over the year is due to the combined effect of the depreciation charge for the year (Euro 4,763 thousand), investments (Euro 1,308 thousand), disposals, less accumulated depreciation (Euro 6 thousand), and reclassifications (Euro 4 thousand).

In thousands of Euro	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
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Cost

Balance as at 31 December 2015	146,630	213,866	8,684	43,728	59	412,967
Business combination						0
Reclassification	0	1	0	3	0	4
Other increases	215	786	20	122	165	1,308
Decreases	0	(87)	0	(1)	(4)	(92)
Balance as at 31 March 2016	146,845	214,566	8,704	43,852	220	414,187

Depreciation and impairment losses

Balance as at 31 December 2015	40,096	180,666	8,100	36,962	0	265,824
Business combination						0
Depreciation for the period	798	3,255	52	658		4,763
Write-downs	0	0		0		0
Disposals	0	(85)	0	(1)		(86)
Reclassification	0	(24)	0	(28)	54	2
Balance as at 31 March 2016	40,894	183,812	8,152	37,591	54	270,503

Carrying amounts

As at 31 December 2015	106,534	33,200	584	6,766	59	147,143
As at 31 March 2016	105,951	30,754	552	6,261	166	143,684

"Plant and equipment" 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 31 March 2016, in the amount of Euro 1,308 thousand, are mainly related to:

- the "Land and Buildings" item, in the amount of Euro 215 thousand, as follows: Euro 145 thousand for interventions at the Montecatini racetrack, Euro 55 thousand primarily related to consolidation and improvement to the structures at the Ippodromo del Galoppo, Euro 10 thousand for remediation interventions on land in the Milan area, Euro 5 thousand related to works on the building of the registered office;
- "Plant and equipment", in the amount of Euro 786 thousand, related for Euro 299 thousand to technology loaned free of charge to the sales points, for Euro 8 thousand to electro-thermal and electric plant, for Euro 6 thousand to hardware and interconnection network for the sales points, for Euro 224 thousand for AWP machines and replacement of related cards, for Euro 56 thousand to radio links, for Euro 14 thousand to implementation of a directing plant of Teleippica S.r.l., for Euro 16 thousand to plant projection machines, for Euro 60 thousand for betting technology and equipment, for Euro 36 thousand for equipment and technology related to VLTs and for Euro 31 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and other plants and equipment necessary for the performance of the various business operations of the Group companies;
- "Industrial and commercial equipment", totalling Euro 20 thousand, including: Euro 18 thousand for the fence in the training centre, Euro 2 thousand for sundry assets;
- "Other assets", in the amount of Euro 122 thousand, relate for Euro 80 thousand to furnishings and fittings provided free of charge to the betting shops and to shops managed directly by the Group, for Euro 5 thousand to head office furnishings and other assets, and for Euro 37 thousand to other assets.

- “Assets in progress and advances”, amounting to Euro 165 thousand, relate to interventions for the building of the new Champions League Village, in the Milan area.

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

Leasing

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

The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a historical cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an amortisation provision, as at 31 March 2016, of Euro 1,098 thousand.

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

thousands of Euro	Total
Total amounts as at 31.03.2016	238
of which	
Payments falling due within 12 months	209
Payments falling due between 1 to 5 years	29
Payments falling due after 5 years	-
Redemption	724

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

15. Intangible assets

Intangible assets as of 31 March 2016 amounted to Euro 463,633 thousand (Euro 472,260 thousand). The change over the period is due to the combined effect of amortisation for the period for Euro 12,353 thousand, net disposals for Euro 58 thousand, investments for Euro 3,786 thousand and reclassifications of Euro -2 thousand.

thousands of Euro	Goodwill	Concessions, licenses, trademarks and similar rights	Industrial patent rights and use of intellectual property	Other	Assets in progress and advances	Total
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Cost

Balance as at 31 December 2015	306,277	361,383	25,440	73,155	388	766,643
Business combination						0
Reclassification		11	0	0	(13)	(2)
Other increases		1,834	522	1,041	389	3,786
Decreases	0	0	0	(505)	0	(505)
Balance as at 31 March 2016	306,277	363,228	25,962	73,691	764	769,922

Amortisation and impairment losses

Balance as at 31 December 2015	74	253,478	20,872	19,959	0	294,383
Business combination	0					0
Depreciation for the period	0	10,262	509	1,582		12,353
Write-downs		0	0	0		0
Disposals		0	0	(447)		(447)
Reclassification		0	0	0		0
Balance as at 31 March 2016	74	263,740	21,381	21,094	0	306,289

Carrying amounts

As at 31 December 2015	306,203	107,905	4,568	53,196	388	472,260
As at 31 March 2016	306,203	99,488	4,581	52,597	764	463,633

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

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Investments of Euro 3,786 thousand mainly concern:

- "Concessions, licences, trademarks and similar rights", amounting to Euro 1,834 thousand, related to the issue of gaming machine (AWPs) authorisation;
- "Industrial patents and intellectual property rights", amounting to Euro 522 thousand, of which Euro 500 thousand for licenses on virtual games and Euro 22 thousand for software development and implementation;
- The "Other" item, totalling Euro 1,041 thousand, includes Euro 957 thousand for AWP game cards to update the gaming machines, Euro 80 thousand related to operating programmes for administration, finance and control and Euro 3 thousand for other investments;
- "Assets in progress and advances", amounting to Euro 389 thousand, of which: Euro 225 thousand for internally generated software and in progress, Euro 20 thousand for development costs related to the former Trotto area and Euro 48 thousand for the issuing of the AWP machine authorisation.

Goodwill amounts to Euro 306,203 thousand, and is allocated to the following cash generating units (CGU):

- Euro 294,623 thousand to the consolidated "Concessions" GCU, of which (i) Euro 219,241 thousand generated through acquisition of the concessions business units as from 16 March 2006 and (ii) Euro 710 thousand generated by the business combination for the acquisition of the shareholding in Agenzia Ippica Monteverde S.r.l. (now merged into SNAI S.p.A.), which together coincide with "Concessions" CGU recognised in the separate financial statements of SNAI S.p.A. The amounts related to the "Concessions" CGU are added with Euro 857 thousand generated by the combination due to the purchase of Finscom S.r.l., net of the impairment loss resulting from measurements made at year end on the Purchase Price Allocation process, which had been preliminarily implemented at the purchase date. These amounts also refer to Euro 2,362 thousand generated by the combination and related to the lease (with purchase commitment) of the SIS S.r.l. business unit, always net of impairment loss resulting from the aforesaid testing on the occasion of the final Purchase Price Allocation, and Euro 71,453 generated by the combination and related to the purchase of the shareholding in Cogemat S.p.A. As permitted by IFRS 3, over the twelve months after the Cogemat acquisition transaction, and to complete the measurement process, it is possible to adjust, with retroactive effect, interim amounts of acquired assets and liabilities, to take account of their fair value at the acquisition date, with consequent re-measurement of goodwill. At consolidated level, this CGU includes the business related to the horse racing and sports betting concessions, to the concession for the management and operation of the network for the on-line management of legal gaming machines and the related assets and functions (slot machines - AWP and video-lottery - VLTs) and activities related to skill, bingo and casino games;
- Euro 11,137 thousand related 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 on-line 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.

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

In accordance with international accounting standards, and in particular by 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 in the balance sheet.

No events or changes occurred during the first quarter of 2016, 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	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
thousands of Euro				
Affiliates and subsidiaries that are not fully consolidated				
- Hippogroup Roma Capannelle S.p.A.	1,036	1,036	27.78	27.78
- Alfea S.p.A.	1,454	1,454	30.70	30.70
- Connex S.r.l. in liquidation	0	0	25	25
- Solar S.A.	0	0	30	30
- C.G.S. Consorzio Gestione Servizi in liquidation	0	0	50	50
- Teseo S.r.l. in liquidation	0	0	100	100
Total shareholdings measured using the equity method	2,490	2,490		
Other				
- Lexorfin S.r.l.	46	46	2.44	2.44
- Obiettivo 2016 S.r.l.	4	4	0.01	0.01
Total shareholdings in other companies	50	50		

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On 4 February 2015, the shareholders' meeting of Connex S.r.l. resolved to wind up the company. 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 reported deferred tax assets and deferred tax liabilities equal to a net amount of deferred tax assets of Euro 26,124 thousand (the net amount of deferred tax assets, as at 31 December 2015, amounted to Euro 29,223 thousand). It is worth noting that, due to the above reduction in the IRES tax rate from 27.50% to 24.00%, starting from the taxable period after the current one as at 31 December 2016, the Group calculated deferred tax assets and liabilities by applying the IRES tax rate of 24%, except for temporary differences which will be absorbed during 2016 and for which the IRES tax rate of 27.50%, currently in force, was maintained.

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for doubtful debts	78,772	27.50%-24.00%	19,740	18,890	2016 and following
Provision for risks	21,563	27.50%-24.00%-32.62%-29.12%	6,284	6,284	2016 and following
Provision for inventory depreciation	201	24.00%-29.12%-27.90%-28.82%	57	57	2017 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	9,432	27.50%-24.00%-32.62%-29.12%	448	448	2016 and following
Interest expense not deducted as per art. 96 of Tuir	120,954	24.00%	29,029	17,690	2017 and following
Other temporary differences	6,286	27.5%-24.00%-31.40%	1,701	1,701	2016 and following
Total	237,208		57,259	45,070	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Advances posted	Usable before
SNAI S.p.A. tax consolidation:					
Year 2008	17,895	24.00%	4,295	4,295	eligible for being carried forward indefinitely
Year 2009	10,200	24.00%	2,448	2,448	eligible for being carried forward indefinitely
Year 2010	29,060	24.00%	6,974	6,974	eligible for being carried forward indefinitely
Year 2011	27,186	24.00%	6,525	6,525	eligible for being carried forward indefinitely
Year 2012	34,422	24.00%	8,261	8,261	eligible for being carried forward indefinitely
Year 2013	75,454	24.00%	18,109	2,989	eligible for being carried forward indefinitely
Year 2014	12,587	24.00%	3,021	3,021	eligible for being carried forward indefinitely
Year 2015	3,874	24.00%	930	-	eligible for being carried forward indefinitely
Year 2016	1,222	24.00%	293	-	eligible for being carried forward indefinitely
Total prior losses for SNAI S.p.A. tax consolidation	211,900		50,856	34,513	

Finscom S.r.l.:					
Year 2012	1,467	24.00%	352	-	eligible for being carried forward indefinitely
Year 2013	796	24.00%	191	-	eligible for being carried forward indefinitely
Year 2014	1,010	24.00%	242	-	eligible for being carried forward indefinitely
Year 2015	1,408	24.00%	338	-	eligible for being carried forward indefinitely
Year 2016	191	24.00%	46	-	eligible for being carried forward indefinitely
Total prior losses related to Finscom S.r.l.	4,872		1,169	-	
Cogemat S.p.A. tax consolidation:					
Year 2012	11,499	24.00%	2,760	2,760	eligible for being carried forward indefinitely
Year 2013	59,454	24.00%	14,269	14,269	eligible for being carried forward indefinitely
Year 2015	5,606	24.00%	1,345	1,345	eligible for being carried forward indefinitely
Total prior losses for Cogemat S.p.A. tax consolidation	76,559		18,374	18,374	
Total prior losses	293,331		70,399	52,887	
Total Deferred tax assets				97,957	

The changes in deferred tax assets:

	31.12.2015	allocations set aside	uses	31.03.2016
Deferred tax assets	100,160	404	(2,607)	97,957

As at 31 March 2016, the Directors of the Parent Company confirmed the assessment of recoverability of the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss, except for what has been specified.

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

It should be noted that no deferred tax assets were recognised on the loss of the SNAI Group for the first quarter of 2016, resulting from tax consolidation, against a recordable gain of Euro 293 thousand.

It should be also highlighted that no deferred tax assets on tax losses, resulting from the same tax consolidation regime for 2015, were recognised against recordable gains amounting to Euro 930 thousand, while deferred tax assets on tax losses for 2013 were recognised in the amount of Euro 2,989 thousand, against recordable gains amounting to Euro 18,109 thousand. In fact, regardless of the fact that the Inland Revenue Office accepted the request filed by the Parent Company on the deductibility, for IRES tax purposes, of amounts paid to settle the dispute with ADM at the Court of Auditors, equal to Euro 63,000 thousand, the Parent Company's Directors deemed advisable not to record this amount as deferred tax assets.

That having been said, the total receivables on tax losses, resulting from the tax consolidation of the SNAI Group, amounted to Euro 34,513 thousand, while the tax benefit on off-balance sheet prior losses amounted to Euro 16,343 thousand.

It should be noted that, as regards retained interest expense as per Art. 96 of Presidential Decree 917/1986, accrued in 2014 as regards SNAI S.p.A., deferred tax assets, equal to Euro 2,363 thousand, were recognised, against benefits amounting to Euro 5,941 thousand. No deferred tax assets were recognised on retained interest expense accrued by the Parent Company during 2015 and the first quarter of 2016, against benefits amounting to Euro 7,639 thousand.

Finally, it should be noted that, concerning the temporary differences between carrying amounts and tax values of the related assets/liabilities pertaining to the subsidiary Finscom S.r.l. (excluded from the tax consolidation of SNAI S.p.A.), as well as accrued tax loss of the same, deferred tax assets amounting to Euro 8 thousand were recognised against recordable gains of Euro 2,148 thousand. In fact, no deferred tax assets on tax losses carried forward were recognised

against recordable gains amounting to Euro 1,169 thousand, on interest payable carried forward pursuant to Art. 96 of Presidential Decree 917/1986, against recordable gains amounting to Euro 121 thousand, as well as on the provision for doubtful debts subject to taxation, against recordable gains amounting to Euro 850 thousand.

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

It should be also noted that for the 2013-2015 period, the option to the tax consolidation, as per articles 117 and following of Presidential Decree 917/1986, between the consolidating company Snai S.p.A. and the consolidated company Società Trenno S.r.l., will be renewed in 2016 with the 2016 Revenue form.

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

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 financial statements.

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 early payments, amounts deducted at source, deductions of tax or transfers for any other reason, and 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.

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

Temporary differences	Amount	Rate	Tax impact	Deferred
Tax amortisation of goodwill	(11,546)	24.00%-29.12%	(3,174)	(3,174)
Tax amortisation of goodwill on business segments	(151,741)	24.00%-29.12%	(43,108)	(43,108)
Amortisation, commercial network	(45,779)	31.4% 27.5%	(12,855)	(12,855)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(39,872)	24.00%-29.12%	(11,621)	(11,621)
Other temporary differences	(3,927)	27.5%-24.00%	(1,075)	(1,075)
Total deferred taxes	(252,865)		(71,833)	(71,833)

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

	31.12.2015	allocations set aside	uses	31.03.2016
Provision for deferred taxes	70,937	1,188	(292)	71,833

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 acquired business segments are considered business combinations and therefore are recorded using the acquisition method specified by IFRS 3. Therefore, SNAI S.p.A. has recognised the identifiable assets and liabilities at fair value at the acquisition date and it recorded goodwill only after having allocated the acquisition cost as described above. Goodwill is not subject to amortisation but to impairment testing on an annual basis; amortisation for tax purposes is regulated by Art. 103, paragraph 3, of Presidential Decree 917/1986, which gives rise to deferred tax liabilities.

The item "Amortisation, commercial network", equal to Euro 45,779 thousand, with tax effect equal to Euro 12,855 thousand, results from the merger into SNAI S.p.A. of the companies of the Cogemat/Cogetech Group. In particular, after recognising assets and liabilities identifiable, in the transferred company, at the related fair value and at the acquisition date, a portion of the difference between purchase cost (made up by the share capital increase carried out by SNAI S.p.A.) and transferred Shareholders' Equity was allocated to the Commercial Network of the Cogemat/Cogetech Group, based on the related fair value.

The "difference between the carrying amount and the fiscal value of property, plant and equipment" of Euro 39,872 thousand with tax impact of Euro 11,621 thousand relates mainly to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 37,463 thousand with tax impact of Euro 10,922 thousand), as well as properties and land in Milan owned by the former company Immobiliare Valcarenga S.r.l. (Euro 1,359 thousand, with tax effect of Euro 397 thousand).

18. Inventories

Compared to 31 December 2015, inventories decreased by Euro 65 thousand. The breakdown of the "Inventories" item is shown below:

thousands of Euro	31.03.2016	31.12.2015	Change
Raw materials	184	184	0
Finished products/goods	392	457	(65)
Total	576	641	(65)

The value of inventories is shown net of the provision for inventory depreciation, equal to Euro 201 thousand as at 31 March 2016 (Euro 203 thousand as at 31 December 2015). The decrease is due to the uses in the period.

19. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	31.03.2016	31.12.2015	Change
Trade receivables			
- from customers	210,531	203,323	7,208
- from foreign customers	17	20	(3)
- from MIPAAF	3,865	3,434	431
- from stables, jockeys and bookies	688	837	(149)
- from parent Global Games S.p.A.	1	0	1
- actual assets at collection and in portfolio	841	1,206	(365)
- provision for doubtful receivables	(71,366)	(72,651)	1,285
Total	144,577	136,169	8,408

Trade receivables from customers included the balances as at 31 March 2016 due from operators for accepting bets (Betting and Gaming Machines), net of the compensation due to those operators, in addition to receivables to operators of Gaming Machines for the reduction of premiums and remunerations provided for by the 2015 Stability Law. The increase in the "Trade receivables" item is mainly attributable to the increase in the PREU tax rate applicable to amounts collected by Gaming Machines, as envisaged by the 2016 Stability Law, resulting in an increase in amounts required to the segment for the following payment to ADM. As at 31 March 2016, receivables from the business unit related to the reduction in premiums, as set forth by the Stability Law, amounted to Euro 30,615 thousand, including Euro 11,223 thousand related to SNAI S.p.A. and Euro 19,392 thousand related to Cogetech S.p.A. To this purpose, it should be noted that the non-payment of amounts pertaining to the Gaming Machine operators will involve the non-repayment of the same amounts to ADM by the Group within the term of 31 October 2015, as set out by the Stability Law (for further details see Note 30 Other liabilities). In light of opinions collected, the Group believes that it is not co-liable as regards

the tax rate pertaining to the business segment, and deems that there is no credit risk as per the amounts that are possibly not repaid by operators within the segment.

Trade receivables from customers also include the receivables subject to legal action in the amount of Euro 52,578 thousand, including Euro 39,044 thousand related to SNAI S.p.A. and Euro 13,534 thousand related to the Cogemat Group (Euro 51,960 thousand as at 31 December 2015).

Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture, Foodstuff and Forestry Policies), amounted to Euro 3,865 thousand (Euro 3,434 thousand) and include:

- Euro 2,271 thousand (Euro 1,840 thousand) for receivables from Società Trenno S.r.l. The item "Receivables from MIPAAF" includes receivables accrued in 2015 and the last tranche of the 2000 investment fund, in the amount of Euro 90 thousand, for the racetrack in Montecatini and, in the amount of Euro 506 thousand, for the racetracks in Milan. As regards current work services, the following amounts are still to be collected: fees for television broadcasts from July to December 2015, fees for the use of facilities for the months of November and December 2015, and fees for horse races from August to December 2015. Amounts invoiced in March 2016 were paid after 31 March.
- Euro 1,594 thousand (Euro 1,594 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 betting shops for "national" horse betting; daily presentation and broadcast of programmes and other connected services.

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

20. Other assets

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

thousands of Euro	31.03.2016	31.12.2015	Change
Other non-financial assets			
<i>Receivables from others:</i>			
- guarantee deposits	1,190	1,134	56
- other receivables	6	6	0
	1,196	1,140	56
Trade receivables:			
- assets/valuables in portfolio	625	522	103
- customers	1,313	1,642	(329)
	1,938	2,164	(226)
Total Other non-financial assets	3,134	3,304	(170)

Other current assets are composed as follows:

thousands of Euro	31.03.2016	31.12.2015	Change
Other current assets			
<i>Tax Receivables:</i>			
- from Inland Revenue Office for IRES down payment /credit	2,590	2,561	29
- from Inland Revenue Office for IRAP down payment/credit	4,419	4,419	0
- from Inland Revenue Office for VAT	103	115	(12)
- Other tax receivables	332	548	(216)
	7,444	7,643	(199)
<i>Receivables from others:</i>			
- Gaming Machines guarantee deposit	47,054	37,228	9,826
- Receivable for the advance payment of the second instalment - Stability Law ADM	182	182	0
- Advance payment of concession fee and other receivables from ADM	4,757	2,445	2,312
- Escrow deposit	285	651	(366)
Receivables from ADM for winnings on National Horse Racing	18	81	(63)
Guarantee deposit for on-line gaming (Skill/Bingo)	334	345	(11)

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- Receivables from Skill Games	72	15	57
- Receivables from prior grants from granting bodies	327	327	0
Receivables from undue payment of interest and fines on flat-rate gaming tax (PREU)	2,114	2,114	0
Receivables from Bluline electronic exchange	226	226	0
- Social security entities	351	100	251
- Sundry receivables	3,007	4,068	(1,061)
- Provision for doubtful receivables from others	(1,152)	(1,074)	(78)
	57,575	46,708	10,867
<i>Accrued income and prepayments</i>			
- Accrued income	224	89	135
- Prepayments	4,782	3,832	950
	5,006	3,921	1,085
Total other current assets	70,025	58,272	11,753

The gaming machines guarantee deposit of Euro 47,054 thousand (Euro 37,228 thousand) relates to 0.5% on the gaming transactions generated by the gaming machines (AWP and VLT), as described in greater detail in Note 4, "revenues from sales of goods and services." The amount of Euro 19,222 thousand is related to SNAI and the amount of Euro 27,831 thousand to Cogemat Group.

The escrow deposit, equal to Euro 285 thousand, was allocated to confirm the binding intention to lease, and subsequently sell, the business unit, formerly SIS. This amount is not interest-bearing and is equal to 5% of the payment, equal to Euro 1,300 thousand, decreased by the monthly rental of the company (Euro 100 thousand on a monthly basis, plus VAT from 22 July).

The Advance payment of concession fees and other receivables from ADM, equal to Euro 4,757 thousand, includes Euro 4,398 thousand related to the fixed amounts paid in advance to ADM for the first half of 2016 and relates to the concession fee for horse racing and sports betting and for on-line gaming, net of the amount pertaining to the period. For further details reference is made to Note 9.

Among the prepayments, the table shows:

- Euro 3,121 thousand (compared to Euro 2,397 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 gaming machines;
- Euro 1,661 thousand (Euro 1,435 thousand), related to costs of maintenance, assistance and lease contracts for AWP, that have not yet accrued.

21. Financial Assets

Non-current financial assets, equal to Euro 1,773 thousand, are related to AWP deposits for contracts with a sector operator.

The current financial assets consist of the following:

thousands of Euro	31.03.2016	31.12.2015	Change
Escrow accounts and unavailable balances	19,876	19,853	23
Eonia Plus Pioneer provision	0	1,483	(1,483)
Special current account	95	95	0
Shares in former Società Fiorentina Corse Cavalli for exchange	1	1	0
Total current financial assets	19,972	21,432	(1,460)

The escrow accounts, which were opened by the Parent Company in order to manage the amounts resulting from the offsetting between the receivables from ADM under the Di Majo award, and the liabilities for wagers, due every two weeks (the so-called "former ASSI fifteen-days payments"), are unavailable while waiting for ADM's decisions after the judgement of the Rome 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 that 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 shares of the Eonia Plus Pioneer provision, held by the Group, were sold on 10 March 2016.

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

Non-current financial assets, the special current account, the escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 38).

22. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

thousands of Euro	31.03.2016	31.12.2015	Change
Bank accounts	109,766	105,478	4,288
Postal deposits	821	772	49
Cash in hand	1,392	1,338	54
Cash on hand	111,979	107,588	4,391
Bank overdrafts	0	0	0
Net cash and cash equivalents	111,979	107,588	4,391

23. Shareholders' Equity

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

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

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

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

The shares issued are all ordinary shares.

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

Reserves

Legal Reserve and Share Premium reserve

On 19 November 2015, following the acquisition of the Cogemat Group, totalling Euro 140 million, this reserve was formed, in the amount of Euro 102.6 million, reduced by the ancillary charges borne for the share capital increase, net of the tax effect.

Post-employment benefit reserve (IAS 19)

The reserve for the re-measurement of post-employment benefits (IAS 19), equal to Euro (-849) thousand, is formed by recognition of actuarial gains/losses as at 31 December 2015.

Treasury share reserve

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

Profit (loss) carried forward

Profit (Loss) carried forward amounted to Euro 64,007 thousand; movements for the period totalled Euro 54,231 thousand and are due to the loss for 2015 year, which is still to be covered by reason of the fact that, on 31 March 2016, coverage had not been resolved yet by the Shareholders' Meeting.

Shareholders' Equity pertaining to minority interests

As at 31 March 2016, minority interests show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

24. Other components of the comprehensive income statement

The other components of comprehensive income relate to the recognition of the fair value of the Eonia Provision, sold on 10 March 2016.

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

	<u>Ist Quarter</u>	
	<u>2016</u>	<u>2015</u>
Hedge derivatives:		
Net (loss)/profit from derivatives as cash flow hedges	0	732
Tax impact	0	(201)
Hedge derivatives	0	531
Fair value of securities held for trading	17	0
Total gain/(loss) for the year	17	531

25. Earnings per share

Basic earnings per share

The calculation of the basic earnings/loss per share as at 31 March 2016 was made taking into consideration the profit attributable to the holders of ordinary shares, for Euro 1,608 thousand (31 December 2015: loss of Euro 54,231 thousand) and the weighted average number of outstanding ordinary shares during the period ended 31 March 2016, equal to 188,356,771 shares (31 December 2015: 124,051,448).

The amount was calculated as follows:

<u>in thousands</u>	<u>31.03.2016</u>	<u>31.12.2015</u>	<u>31.03.2015</u>
Gain/(loss) attributable to holders of ordinary shares = gains for year of group (a)	1,608	(54,231)	11,436
Average weighted number of ordinary shares /1000 (b)	188,356.77	124,051.45	116,824.99
Basic earnings/(loss) per share (a/b)	0.01	(0.44)	0.10

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 31 March 2016 amounted to Euro 8,633 thousand against Euro 8,641 thousand as at 31 December 2015.

The following table shows the movements therein:

thousands of Euro	
Balance as at 01.01.2016	8,641
Accruals	197
Uses	(246)
Financial expenses	41
Balance as at 31.03.2016	8,633

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 his/her leave, and discounting that liability to current value on the basis of an assumption as to the timing of his/her resignation calculated using actuarial methods.

27. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	31.03.2016	31.12.2015	Change
Non-current financial liabilities			
Bond loan	573,872	573,030	842
Due for financial leasing	29	71	(42)
Total other non-current liabilities	573,901	573,101	800
Current financial liabilities			
Due for financial leasing	1,271	1,295	(24)
Due for interest on bond loans	15,169	2,166	13,003
Due to banks	73	71	2
Due to "Betting Acceptance Points" for the purchase of horse racing and sports Concessions business segments	32	32	0
Total current financial liabilities	16,545	3,564	12,981

The financial liabilities include:

- the bond loans stipulated on 4 December 2013 and 20 July 2015 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 573,872 thousand (nominal value of Euro 590,000 thousand) and stated net of direct ancillary charges/income. These ancillary charges/income, originally totalling Euro 25,156 thousand, include professional fees related to the signature of the contracts, as well as the tax payable on the assumption of the loan, as well as gains resulting from the pricing difference of the last bond loan issued. The amount reversed to income statement as at 31 March 2016 amounted to Euro 842 thousand;
- financial liabilities for financial lease contracts, totalling Euro 1,300 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 betting acceptance points, described in greater detail in Note 14, "Property, plant and equipment".

There are no non-current financial payables 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 Class A bonds, issued in the amount of Euro 15,000 thousand, were repaid on 4 December 2013 and on 5 May 2015 Class B bonds were entirely repaid.

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.

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 Borsa Italiana. These procedures are now completed.

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.

On 27 November 2013, SNAI S.p.A. 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. and Intesa Sanpaolo S.p.A.. On 28 July 2015, during the refinancing transaction connected with the merger of the Cogemat Group, UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A., Milan Branch, committed themselves, provided that some conditions precedent be fulfilled, to supply SNAI S.p.A. with a further Euro 25,000 thousand, at the same terms and conditions set out in 2013, thus increasing the credit line to a total amount of Euro 55,000 thousand. The above-mentioned conditions precedent occurred on 10 December 2015. The Senior Revolving Facility had not been used as at 31 December 2015.

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

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

thousands of Euro

Financial payables	Amount of loan	Duration	Interest period	Due date	Repayment method	Date of payment	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
Senior Revolving Facility	55,000		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.		-
Senior Secured Notes	110,000	3 years and 5 months	6 months	15.06.2018	Bullet	28.07.2015	110,000
Total	645,000				Total amount disbursed as at 31.03.2016		590,000

As regards information on covenants in place on Loan Agreements, reference is made to Note 38.1.

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. Based on 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 31 March 2016, the provisions for risks and charges amounted to Euro 25,177 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

thousands of Euro	Technological renewals	Tax disputes, litigations, contractual risks and other	Total
Balance as at 31 December 2015	2,246	24,853	27,099
Provisions recognised over the period	202	0	202
Reclassification	(20)	20	0
Releases/Utilisation for the period	0	(2,124)	(2,124)
Balance as at 31 March 2016	2,428	22,749	25,177

Technological renewals

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

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 22,749 thousand.

The uses for the period, totalling Euro 2,124 thousand, are related, in the amount of Euro 1,769 thousand, to transactions with employees and also include related legal fees. They are also related, in the amount of Euro 335 thousand, to the use for legal fees related to on settlement of disputes and Euro 20 thousand to further uses.

SNAI

Disputes concerning the gaming machines business: ADM's objections for alleged breaches in the management of the on-line network

In the month of June 2007, ADM 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 to finalise tax assessments as per Art. 14 of Law Decree 102/2013).

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

The Regional Administrative Court 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 - ADM 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 these three penalties null and void.

In its memorandum 2011/6303/Giochi/ADI of 22 February 2011, ADM formally resumed the proceedings to enforce a 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.

Based on 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, ADM 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 would confirm 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 on-line 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 ADM on 27 October 2011.

With memorandum no. 2012/7455/Giochi/ADI dated 17/2/2012 and received on following 27 February 2012, the ADM 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 around 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 ADM 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.

Following the hearing for discussion that was held on 26 May 2015, the decision was expressed with ruling no. 5496/2015, with which the Council of State accepted the appeal submitted by SNAI, thus finally cancelling the penalty for the non appointment of the commission intended to determine the levels of service, as well as the appeal lodged by the Board of Directors for the determination of a penalty other than the decision made by Regional Administrative Court (TAR).

By virtue of the above and of the conclusion of the proceeding, to date there is no risk for the Company.

Disputes concerning the gaming machines business: proceedings on reporting procedures initiated by the Substitute Prosecutor before the Court of Auditors and consequent sentence on accounts

Proceeding on reporting procedures

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

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

At the hearing of 7 October 2010, the Court of Auditors, in its ruling no. 2186/2010, totally rejected the Prosecutor's demands charging ADM 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, duly paid, thus accepting the correct calculation of the fine claimed by SNAI.

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

Sentence on accounts

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

In addition to the Proceedings on reporting procedures, in the course of 2012, the Sentence on account proceeding was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court of

Auditors. At the hearing of 17 January 2013, the rapporteur referred, in support of their report, to an opinion provided to ADM 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 appealed the ruling. The hearing at the Court of Auditors' First Jurisdictional Section was held on 10 April 2015.

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

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

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

Malfunctioning of the Barcrest VLT platform (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 ADM's order to block the system - SNAI S.p.A. immediately blocked access to the Barcrest System to perform the necessary verifications and inspections. Since the aforementioned date, the Barcrest System has not been put back into operation. From the controls carried out, including controls by independent computer experts, it emerged that no Jackpot win was generated by the Barcrest System during the course of the entire day of 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 31 March 2016, 98 proceedings had been filed, including 10 interim orders that were temporarily enforceable and can be summarised as follows:

- in two cases, the gamers obtained an award of about Euro 500,000.00. In one of these cases SNAI, after obtaining the suspension of the interim order's enforceability, applied for and obtained a distraint order over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the temporary enforceability was suspended with SNAI's payment of Euro 500,000.00. The Court concluded the proceeding by declaring its own lack of jurisdiction and ordered the release of the guarantee deposit with consequent return of the corresponding amount to SNAI. After 31 December 2014, SNAI obtained the repayment of the corresponding amount paid in the guarantee deposit. 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 three cases, ii) suspended in two cases with scheduling of the hearing for the extinction of the judgement on 29 June 2016.

It should be also pointed out that

- i) two cases have in the meantime become extinct due to inactivity on the part of the player;
- ii) during the case, 2 orders were issued pursuant to Art. 186 of the Italian Code of Civil Procedure (hereinafter "c.c.p."), of which one was revoked upon motion filed by SNAI.
For the other case, the players started a legal action against SNAI, for which the latter filed an objection;
- iii) twenty-six transactions were subscribed (referred to twenty-four proceedings) of which 1 were subscribed after 31/03/2016;
- iv) fifteen proceedings were settled with sentences on the merits favourable to SNAI (of which ten revocations of the interim orders - executive orders or not - obtained by players and five sentences rejecting the requests of the players);
- v) thirty-six proceedings were settled with sentences on the merits favourable to SNAI (essentially by reason of lack of territorial jurisdiction of the Judge, as sustained by players). A great number of these players were summoned before the Court of Lucca.

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

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

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

The proceedings have not yet been settled, except for the objections, related to four licences, which were rejected with no possible appeal.

On the basis of the legal advice obtained, and in light of the uncertain nature of disputes in this area, SNAI currently considers risks 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 ADM regarding the reduced level of transactions by certain horseracing and sports Concessions in the years 2007-2008 for which ADM has requested the minimum guaranteed service fees. We report the latest developments regarding the various measures analysed by year of dispute.

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

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

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

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

Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by ADM 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 ADM’s request in relation to 2006, paying guaranteed minimums for an amount of Euro 2.4 million. The amount paid was posted under receivables from ADM, as it is now considered recoverable; the Parent Company has informed ADM that it would be seeking to enforce its rights in all appropriate venues, in order to have a recalculation on an equitable basis of all the amounts requested, and an evaluation of the conduct of ADM. Recently, upon the appeal of the Company and other concession holders, the Lazio Regional Administrative Court revoked ADM’s demands and requested the adoption of the “safeguard” measures, in view of the fact that with the Bersani tender procedure, and other subsequent tender procedures, the territorial exclusivity originally granted under some concessions, were no longer valid following the award of a large number of additional concessions for sports and horse racing betting.

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

On 12 January 2012, ADM notified 226 requests for payment of minimum guaranteed amounts to which the following is to be added: - two further requests addressed to the former Agenzia Ippica Monteverde S.r.l. - two further requests addressed to the former Agenzia Ippica Monteverde S.r.l. - payment requests of minimum guaranteed amounts for the years 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 has now become apparent, however, that it was impossible to adopt a standard for calculating minimum guaranteed

amounts, other than the standard that had already been repeatedly censured by several Lazio Regional Administrative Court rulings, some of which have now become *res judicata*. SNAI submitted an appeal to the Lazio Regional Administrative Court for the annulment of those orders after suspending their immediate enforceability pending the final ruling. The hearing for discussion of the interim application was set for 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 long-standing question of the safeguarding measures, temporarily suspended the effectiveness for the new requests to pay the minimum guaranteed amounts for 2006-2010, fixing the hearing on 5 December 2012.

On 20 June 2012, ADM notified to SNAI 226 requests for payment of minimum guaranteed amounts to which the following is to be added: - one further request addressed to the former Agenzia Ippica Monteverde S.r.l. payment requests for integrations to minimum guaranteed amounts for the years 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 ADM and, on the positive side, a 5% reduction in the amount demanded pursuant to Article 10 (5) (b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of 26 April 2012.

This Article has provided, in respect of the “*amounts for collection pursuant to article 12 of 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 methods of payment of such amounts, 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 ADM might pursue for a forced collection of the amounts; on the other hand, confirms the suspension of similar requests that ADM 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 ADM 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 breach of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered suspension of the proceedings, and passed matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012 for lack of interest in the lawsuit.

For the entire duration of the proceedings before the Constitutional Court, the suspension of the proceedings continues to be valid, to the benefit of SNAI, preventing ADM 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, lett. b) of 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 rulings no. 7323/14 of 10 July 2014 and no. 8144/14 of 24 July 2014 - featuring the same content - the competent Court, while acknowledging the unconstitutionality of Art. 10, paragraph 5, letter b) of Law Decree no. 16/2012, cancelled the payment orders of the guaranteed minimum amounts related to years 2006-2012, which calculated an unreasonable “fair discount” of only 5%.

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

The Group, supported by the advice of its legal advisers, considers that the risk of an unfavourable outcome is to be non-existent and consequently has made no provision for risk.

Legal proceedings related to the 2015 Stability Law

Administrative proceeding

The 2015 Stability Law set out that the Group had to pay the Stability Tax on a prorata basis. The proportional share of the Stability Tax for concession holders and operators of VLTs and AWP's for 2015 is defined by the directorial

execution order, Art. 1, par. 643, letter I) of the 2015 Stability Law issued by ADM (the “**ADM Decree**”). Pursuant to the 2015 Stability Law and the ADM Decree, the concession holders of VLTs and AWP are responsible for the payment of the entire amount of the Stability Tax related to VLTs and AWP under concession license, regardless from the fact that these machines are managed directly by the concession holder.

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

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

The hearing for the discussion on the merits of claims was held on 1 July 2015. As a result of this hearing, the Second Section of the Regional Administrative Court, with council order no. 9747 of 20 July 2015, ordered the acquisition of investigation documents by ADM and SNAI, especially on the corporate accounts regarding the extent of wagers managed through gaming machines. Therefore, the Court further adjourned the hearing to 21 October 2015. Meanwhile, by reason of the fact that no new regulations were envisaged to settle the critical issues already highlighted by SNAI and the other concession holders, and that payments due by operators are still widely unsettled, SNAI and the other concession holders filed a new interim application. The Second Section of the Lazio Regional Administrative Court fixed the discussion of the matter at the hearing of 21 October 2015, already scheduled for the discussion on the merits of the notice of appeal to challenge that measure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SNAI will appear in Court in due form for the first hearing scheduled on 9 May 2016. The plaintiffs submitted some Notes aimed at partially modifying the requests made in the introductory report, re-tuning the requests with respect to the interpretation rule of the 2016 Stability Law, albeit entirely the opposite of the *ratio legis*, which, on the contrary, intends to freeze the negotiation proposal submitted by concession holders.

In a shared position with the defence attorneys of all the other concession holders, SNAI objected the submission of the aforesaid Notes, by highlighting all exceptions and requests made in the defence deeds as regards the alleged breach (especially the contested jurisdiction) and asking the granting of a term to consider the above-mentioned notes and submit rebuttal arguments, without prejudice to the first hearing rights.

Given the objective and subjective complexity of the legal issue, the Judge withheld his decision on all the preliminary issues, also submitted by the Court, by granting a 20 day term to the concession holders to submit rebuttal arguments to the notes lodged by plaintiffs.

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

Legal proceedings related to the 2016 Stability Law

Administrative proceeding

With appeal filed before the Lazio Regional Administrative Court, RO.MA. Srl (together with other 33 operators in the legal gaming segment), objected, without submitting a suspension request, some administrative deeds issued by ADM in execution of Art. 1, par. 918, 922 and 943 of Law no. 208 of 28 December 2015 ("2016 Stability Law"), as well as the regulatory content of the above-mentioned primary rules, by submitting the Judge a request of cancellation, non-application and/or claim for inconsistency with the Italian and European Constitution.

The objected deeds concern the rules on legal gaming through gaming machines (AWPs), as provided for by the 2016 Stability Law (with main focus on the creation of the so-called "substitution approvals"). The applicants claimed various illegal issues, also in breach of both Italian and European constitutional principles (Art. 3 and 41 of the Italian Constitution).

With the legal support of its attorneys, SNAI is evaluating whether to appear before the Court in support of the rules objected, albeit it is aware of the fact that (i) the applicants did not claim a suspension on an interim basis (ii) no hearings on the merit have been fixed and (iii) the objected rules have been complied with an/or are being complied with by concession holders and other operators in the segment.

Penalties for exceeding the AWP quotas

Following the demand formulated by ADM 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 ADM as a form of self-remedy. In light of that evidence, the amount of Euro 1.470

million was provisioned to provide full coverage for any risks this may represent. Lastly, ADM 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. We are awaiting the dates to be set for the hearing on the discussion of the appeal.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007. The company Omniludo S.r.l. 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 June 2005"), petitioning the Court:

to accept and declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated 29 June 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 December 2010 to allow for clarification of the pleadings and then postponed again ex officio to 17 June 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 February 2012, the Court lifted its reservation made at the hearing of 17 June 2011 and the Judge forwarded the case to the President of the section for combination of the lawsuits or the reassignment of lawsuit 4810/2010 to Mr. Capozzi, who had investigated the first proceedings.

- Case 4810/2010. By the writ of summons served on 16 November 2010, SNAI, in light of the grossly negligent breach of obligations under the Contract of 29 June 2005, sued Omniludo S.r.l. before the Court of Lucca, petitioning the Court as follows:
 - 1) to find and declare Omniludo S.r.l. to be in breach of trust and of the obligations under the aforementioned contract;
 - 2) to find and declare the Contract of 29 June 2005 to be terminated on the grounds of Omniludo S.r.l.'s serious breaches of its contractual and statutory obligations;
 - 3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter "c.c.p.") to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the Presiding Judge of the Court of Lucca, who scheduled the trial for 07 January 2011.

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

By order of 12 March 2012, the Presiding Judge of the Court ordered that the case 4194/2007 be convened jointly with case 4810/2010 at the hearing of 11 December 2013 before Judge Frizilio with a view of their possible consolidation.

The aforementioned ruling was appealed by OMNILUDO on 3 April 2012. The Presiding Judge of the Court, holding that the substantive requirements were met for grouping of the proceedings, ordered on 26 June 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 December 2013, the Judge decided on the grouping of all pending proceedings for the case no. RGNR 4194/2007 and on the postponement of the hearing on 17 March 2014. Once the conclusions had been specified, the Judge indicated the deadlines for submission of the closing briefs.

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

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

With the legal support of its attorneys, the Company is evaluating the notice of appeal received from Omniludo S.r.l., and will appear in Court in due terms with a cross-appeal. In any case, based on the legal expertise obtained by the Company, the risk of unfavourable outcome can no longer be deemed as remote (certainly, as regards quantity, far more limited than the amount claimed by the claimant, or possibly on a fair basis), albeit it is mitigated by the decision to file a cross-appeal. Ultimately, this risk can be classified as possible.

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 were 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 another Judge on 7 June 2013, who postponed the hearing until 11 October 2013. In the meantime, AINVEST filed a petition for the revocation of the ordinance for the translation of the documents into English. At the hearing of 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 June 2014) and postponing the hearing for the examination of the appraisal to 27 February 2015. Moreover, at the hearing, the Judge postponed the case to 16 June 2015 to discuss the preliminary claims. At that hearing, the preliminary claims were discussed and the Judge postponed the case to hear the witnesses to 2 December 2015 and 27 January 2016, where some witnesses indicated by the parties were excluded. Upon request of both parties, the Judge scheduled another hearing on 8 June 2016 for the examination of other witnesses, and postponed the hearing on 19 July 2017.

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

Potential assets: Receivables from the Di Majo Award

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

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

The compensation awarded to SNAI by 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 ADM a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to ADM (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal.

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

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

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

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

With ruling no. 2626 of 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 Supreme Court (Cassation) thereafter on 10 June).

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

Allegations by ADM regional offices related to the 2006 PREU

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

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

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

With reference to the procedures further thereto:

- in relation to four notices of assessment, ADM issued a decision for their cancellation as a form of self-remedy (and setting aside);
- in relation to 1 proceeding, the suspension was accepted and appropriate CTP, after the hearing, rejected the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional Tax Commission. The hearing on the

merits was held on 20 April 2015, and at that date, upon lifting of its reservation, the CTR rejected SNAI's appeal and confirmed the assessment notice;

- for 15 proceedings, the hearings on the merits and suspension of provisional enforceability as at 5 June 2013 have been accepted and on 24 July 2013 the Court lifted its reservation and rejected the appeal filed by SNAI. Based on the above-mentioned rulings, SNAI filed an appeal with the appropriate Regional Tax Commission. The hearings on the merits were held on 11 June 2015 and upon lifting of its reservation at the hearings held on 11 November 2015, the CTR rejected SNAI's appeal;
- for one proceeding, after accepting the suspension at the hearing of 5 March 2015, the CTP, upon lifting of its reservation made at the hearing on the merits, declared the appeal for incompetence as ineffective;
- as regards one proceeding, the hearing on the suspension was held on 12 December 2014. Upon lifting of its reservation, the CTP rejected the suspension request. After various postponements, the hearing on the merits was held on 16 February 2016, at the end of which the Court reserved on the decision;
- for eighteen proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. ADM appealed the remaining fifteen rulings before the competent Regional Tax Commission and SNAI submitted its own objections. Seven proceedings are still pending at the Supreme Court following ADM's appeal against the decision of the Regional Tax Commission, which confirmed the first instance proceeding thus rejecting ADM's request. The date of the hearing is still to be scheduled; for eight proceedings the hearings were held on 13 July 2015. Upon lifting its reservation on the above hearings, the Court rejected the appeal filed by ADM;
- for one 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.

The risk of an unfavourable outcome can be deemed as (i) real (effective), whenever SNAI's appeals are rejected in both first and second instance, or (ii) possible, whenever sentences in both first and second instance and the Supreme Court are pending, as well as whenever, although SNAI's appeals have been accepted, the terms to the appeal before the Supreme Court by ADM have not elapsed yet.

Allegation by ADM regional offices related to the 2007 PREU

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

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

With reference to the procedures further thereto:

- in relation to one notice of assessment, ADM issued a decision for their cancellation as a form of self-remedy (and setting aside);
- for 2 proceedings, the ruling has been issued upholding the appeals filed by SNAI with ruling no. 62/13. Two appeals before the competent Regional Tax Commission were filed. SNAI filed counter-appeals and the hearing is to be set;
- for one proceeding, the hearing for discussion was held on 15 October 2015, at the end of which the Court rejected SNAI's appeal with sentence filed on 11 December 2015.
- for four proceedings, the hearings for discussion on the merits and suspension of provisional enforceability were held on 24 September 2015, at the end of which the Court upheld SNAI's appeals with sentences filed on 10 December 2105;
- for two proceedings, upon lifting its reservation of 16 October 2014, the Court rejected SNAI's appeals;
- for one proceeding, the Court suspended the temporary enforceability of the assessment notice and a hearing on the merits was held on 6 May 2015, at the end of which the Court reserved on the decision. A sentence is still awaited;
- for one proceeding, upon lifting of its reservation made at the hearing held on 4 July 2013, the Court rejected the suspension request and postponed the discussion to a new hearing. The hearing on the merits was held on 2 July 2015 and the Court, upon lifting its reservation, upheld the appeal with judgement 877/2015.

The risk of an unfavourable outcome can be deemed as (i) possible, whenever sentences in both first and second instance are pending, and if the sentences favourable to SNAI are objected by ADM, (ii) real (effective), whenever SNAI's appeals are rejected with sentences that are now *res judicata*, or (iii) remote only when the suspension request, filed by SNAI, is upheld, although the first instance sentence is still pending.

Allegation by ADM regional offices related to the 2008 PREU

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

In particular:

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

The risk of an unfavourable outcome can be deemed as (i) remote when the objection notice is not followed by an assessment notice as meanwhile the terms have expired or (ii) possible when the first instance sentence is pending or if SNAI decides to object the sentences rejecting the claims.

Notices served by Regional Offices for exceeding the AWP quotes

This relates to 153 notices served by various regional offices of ADM, in which ADM contested the installation of a number of AWPs exceeding the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of making a reduced payment and it is not yet determinable. Pending assessment of the individual position, SNAI provided and/or will provide as follows:

- to make a reduced payment for 58 disputes amounting to approximately Euro 35,300.00;
- to submit defensive briefs for 92 disputes, of which 22 have been set aside;
- while for the remaining 70 (with a total value of around Euro 105,000.00) we are awaiting a reply by ADM.

After 31 March 2015:

- five objections were notified, for which SNAI provided for or will provide for the filing of documents within due terms;
- two orders for the setting aside reached the Company after the lodging of documents and meeting with ADM.

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

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 on-line through the website www.SNAI.it.

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

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

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

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

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

FORMER COGEMAT GROUP

Proceeding on reporting procedures

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

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

Following the hearings held and the documents filed, the non-condemnation judgement was expressed with sentence no. 11891/2012. The Prosecutor's appeal was filed against the non-condemnation judgement. Cross-appeal by

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

Sentence on accounts

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

This sentence, still pending before the Court of Auditors, Lazio Section, concerns the alleged non-endorsement of judicial accounts for the years 2004/2009 (the endorsement is made by the Court of Auditors through the reporting director, charged by the Board of Statutory Auditors, and consists in an audit, both formal and on accounts, of items reported in the statements transmitted to the Administration). The first instance of judgement ended with a sentence indicating the impossibility of taking further proceedings and the transmission of deeds to the Regional Prosecutor for the assessment of any administrative responsibilities. Cogetech filed an objection against this sentence before the Court of Auditors' First Section. With sentence no. 373/2015 of 8 June 2015, this Court cancelled the objected sentence deeming that the case could not be concluded with a sentence indicating the impossibility of taking further proceedings without performing first a detailed audit of the reporting filed for the case. Therefore, the sentence ordered that the Lazio Regional Section reviewed the audit in order to reach a final decision whether to discharge or not from the accounts the items that were not equivalent (the related amount is unavailable). Upon order of the Appeals Section of the Court, all documents related to judicial reporting, already returned to ADM, were retransmitted to the Lazio Regional Section. The appeal ruling being executed, the case continued before the Lazio Regional Section of the Court. The case is awaiting the judicial proceeding acts from the public prosecutor.

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

Objection against the unfulfillment of the service levels as per the Concession Convention (IV penal)

By order of 27 January 2012 (notified on 3 February 2012), ADM claimed that Cogetech S.p.A. unfulfilled the service levels as per attachment 3 of the Concession Convention for the activation and operating management of the network for remote management of legal gaming through gaming machines, as well as of activities and functions that were connected with the issue of a penalty amounting to Euro 7,585 thousand to be paid within 60 days from the related notice.

Cogetech S.p.A. filed an objection against the payment order and with order no. 02693/2012 of 10 May 2012, the Lazio Regional Administrative Court suspended the effectiveness of the deed by setting the discussion of the case in a public hearing on 20 February 2013. Cancellation sentence of the order no. 6026/2013. On 30 January 2014, ADM served the company an appeal notice against the cancellation sentence no. 6026 of the Regional Administrative Court. Following the incorporation of the company and the discussion on the merits at the hearing held on 26 May 2015, with sentence no. 5504/2015 the Council of State upheld the interim appeal filed by Cogetech, while deciding the cancellation of the deed of fourth penalty that had been objected in first instance. By virtue of the aforesaid, there is no risk for the Company.

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

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

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

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

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

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

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

2011 quotes - shared premises

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

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

It is worth noting that further investigation was carried out by ADM concerning any breach of the law on quotas after August 2011. To this purpose, it is also noted that, with ADM notice of 11 July 2014, the Lombardy Local Directory required the payment of Euro 273,000.00 for the non-payment of the amount as provided for by Art. 1, par. 81, lett. d) of Law 220/2010, always in relation to the 2011 January-August period. By reason of the above, Cogetech prepared and filed a counter-appeal to the notice.

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

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

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

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

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

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

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

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

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

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

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

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

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

In its turn, Cogetech: (a) determined the amount of Euro 1,207.27 per each machine operated by the segment, (b) defined and communicated the amount charged to each single operator within its segment, proportionally to the distribution of remuneration. Some operators objected to the payment and filed a lawsuit; (c) objected in Court the legitimacy of the 2015 Stability Law and subsequent deeds; (d) on 30 April 2015, while settling the dispute, the company paid to ADM the agreed amount of Euro 12,228,477.00, and authorised the latter to temporarily withhold, as a down payment to the second instalment to be paid on 31 October 2015, the residual portion of the first instalment (Euro 6,587,530.42) from the amounts due to the company in relation to the refund of the guarantee deposit, equal to 0.5% of wagers for 2014; (e) on 2 November 2015, paid to ADM the amount of Euro 5,123,891.37, equal to the sum of the amounts pertaining to the concession holder itself and of the amounts paid by the third-party operators in the segment in relation to wagers, net of the above-mentioned prepayment of Euro 6,587,530; (f) for the period from 2 November 2015 to 31 December 2015, paid the amounts that were collected on delay from the segment and totalling Euro 3,174,627.

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

Civil proceeding

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

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

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

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

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

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

Cogetech will appear in Court in due form for the first hearing scheduled on 9 May 2016. The plaintiffs submitted some Notes aimed at partially modifying the requests made in the introductory report, re-tuning the requests with respect to the interpretation rule of the 2016 Stability Law, albeit entirely the opposite of the *ratio legis*, which, on the contrary, intends to freeze the negotiation proposal submitted by concession holders.

In a shared position with the defence attorneys of all the other concession holders, Cogetech objected the submission of the aforesaid Notes, by highlighting all exceptions and requests made in the defence deeds as regards the alleged breach (especially the contested jurisdiction) and asking the granting of a term to consider the above-mentioned notes and submit rebuttal arguments, without prejudice to the first hearing rights.

Given the objective and subjective complexity of the legal issue, the Judge withheld his decision on all the preliminary issues, also submitted by the Court, by granting a 20 day term to the concession holders to submit rebuttal arguments to the notes lodged by plaintiffs.

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

Legal proceedings related to the 2016 Stability Law

Administrative proceeding

With appeal submitted to the Lazio Regional Administrative Court, RO.MA. Srl (together with other 33 operators in the legal gaming segment), objected, without submitting a suspension request, some administrative deeds issued by ADM in execution of Art. 1, par. 918, 922 and 943 of Law no. 208 of 28 December 2015 ("2016 Stability Law"), as well as the regulatory content of the above-mentioned primary rules, by submitting the Judge a request of cancellation, non-application and/or claim for inconsistency with the Italian and European Constitution.

The objected deeds concern the rules on legal gaming through gaming machines (AWPs), as provided for by the 2016 Stability Law (with main focus on the creation of the so-called "substitution approvals"). The applicants claimed various illegal issues, also in breach of both Italian and European constitutional principles (Art. 3 and 41 of the Italian Constitution).

With the legal support of its attorneys, Cogetech is evaluating whether to appear before the Court in support of the rules objected, albeit it is aware of the fact that (i) the applicants did not claim a suspension on an interim basis (ii) no hearings on the merit have been fixed and (iii) the objected rules have been complied with an/or are being complied with by concession holders and other operators in the segment.

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

The order of 23 December 2011, off. reg. no. 2011/51060/Giochi/SCO on the horse race concession no. 265, signed by the Customs and Monopoly Agency, was objected. The order comprised the following issues: "Supplements to the suspended guaranteed minimum amounts" and all other related and/or consequent deeds, for a total of Euro 53 thousand, as a supplement to the annual guaranteed minimum amounts for horse races, related to years 2006/2010. With interim order no. 524 of 8 February 2012, the Lazio Regional Administrative Court suspended the notice of 23 December 2011, fixing the hearing for discussion on 05 December 2012.

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

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

Writ of summons notified to Lottomatica Scosse S.r.l., Boss Media AB, GTECH S.p.A. and to the expert (Court of Rome)

The sentence is pending before the Court of Milan and concerns the agreement related to the circuit platform called "Pokerclub", from which the players of Cogetech had been suddenly excluded.

The legal action, filed by Cogetech in May 2013, aimed at obtaining the assessment of (i) the actual termination of the rights related to the contract; (ii) the liability of Boss Media AB (company supplier of the software) and related termination of the contract; (iii) the illegal behaviour undertaken by Lottomatica and/or Boss Media AB and/or Gtech S.p.A. and therefore (iv) the order for the summoned companies to pay damages in favour of Cogetech in the amount to be determined during the case.

The summoned companies appeared in Court in due terms and filed a cross-claim. In particular, Lottomatica and Gtech S.p.A. filed a claim for damages of over Euro 3 million and Euro 50,000, respectively.

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On 26 May 2016, the hearing will be held for the purposes of specifying the conclusions.
In the opinion of the legal experts, the risk of an unfavourable outcome might be deemed as merely possible.

ROYAL GAMES S.R.L.

The interim order (no. 21993/2011) was issued in 2011 by the Court of Milan, in favour of Cogetech, for a receivable of Euro 1,392,043.64, concerning the amounts not paid by Royal Games S.r.l. with respect to the collaboration agreement on wagers from gaming machines, as per Art. 110, par. 6 of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], in place at that time between the parties and now terminated.

On 20 November 2015, Royal Games S.r.l., in its role of opposing debtor, notified a cross-claim for the amount of Euro 3,500,000.00, in the opposing sentence to the order decree, temporarily enforceable, obtained by Cogetech. The cross-claim of Royal Games, in a total amount of Euro 3,500,000.00, was reformulated as claim for the payment of damages borne by the same Royal Games, for the closure of the company that it is deemed as consequent to the termination of the agreement by Cogetech.

The first hearing is fixed on 10 May 2016, then postponed until 15 June 2016, and the company will appear in due terms (26 May 2016).

In the opinion of the legal experts, the risk of an unfavourable outcome might be deemed as merely possible.

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

AAMS required to the company Cogetech Gaming S.r.l. the amount of Euro 293,469.45, plus interests for penalties as per concession convention no. 4052, concerning the section where it is set that for a delay in payment of the amounts due, a penalty will be envisaged "equal to 5% of the amounts due" for each day of delay. The request to declare it null and void was filed. The appeal was filed and a new hearing has to be set.

On 25 September 2014, three notices were filed with which ADMS required the amount of around Euro 9,000 as penalty for the delay in payment of the amounts due, pursuant to the concession convention, related to the period of July 2011. The related appeals were prepared and filed. A new hearing has to be set. On 13 July 2015, ADM Milan invited the company Cogetech Gaming Srl to pay the amounts as per notices previously sent (including those sent to the company Cogetech S.p.A) within 30 days from the notice, under penalty of the exclusion from the guarantee. The company filed a formal request for cancellation of such notices, as a form of self-remedy to the payment claim, as well as objected such order before the Regional Administrative Court.

Objection before the Lazio Regional Administrative Court - Guaranteed minimum amounts

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

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

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

After this notice, however, the breach to the Constitution of Art. 10, par. 5, letter b), of Law Decree no. 16 of 2 March 2012 16 was assessed; therefore no payment was made, and no other payment request has been sent to date by the Administration.

PRESTIGE POTENZA S.R.L.S.*Writ of summons (Court of Milan)*

Following the sale of the business unit related to the agency in Turin, Corso Potenza, by Cogetech Gaming S.r.l., the concession holder did not fulfil its obligations, as set out in the agreement, by reason of the fact that all activities required for the management of the sold company had not been carried out. Conversely, being *ex adverso*, Cogetech Gaming promptly made available the administrative documents that would have allowed the concession holder to manage the business. As a consequence, the company required the legal termination of the transfer contract, with the aim of averting any further costs.

The legal cause was started by Prestige Potenza S.r.l.s. for the assessment and statement of:

- (a) default by Cogetech Gaming S.r.l. upon sale of the business unit related to the agency in Turin, corso Potenza;
 (b) termination of the contract due to the actions and default of Cogetech Gaming Sr.l., payment of damages for breach to the transfer contract of the shop;
 (c) order of payment of damages for over Euro 18,000,000.00.

First hearing fixed on 14 October 2014. Cogetech Gaming duly appeared before the Court by filing a cross-claim and asking to summon a third party. The hearing was postponed on 10 March 2015 to summon the third party. At this hearing, the Judge indicated the deadlines for submission of the briefs and postponed the hearing on 16 June 2015. At this hearing, at completion of the preliminary discussion, the Judge reserved his decision. Upon lifting of his reservation, the Judge rejected the claims filed by the claimant and postponed the conclusions to the hearing of 18 May 2016, then adjourned the case to 28 September 2016.

In the opinion of the legal experts, the risk of an unfavourable outcome might be deemed as merely possible.

PRESTIGE BARBERA S.R.L.S.

Following the sale of the business unit related to the agency in Turin, via Barbera, by Cogetech Gaming S.r.l., the concession holder did not fulfil its obligations, as set out in the agreement, by reason of the fact that all activities required for the management of the sold company had not been carried out. Conversely, being *ex adverso*, Cogetech Gaming promptly made available the administrative documents that would have allowed the concession holder to manage the business. As a consequence, the company required the legal termination of the transfer contract, with the aim of averting any further costs.

The legal cause was started by Prestige Barbera S.r.l.s. for the assessment and statement of:

- (a) default by Cogetech Gaming S.r.l. upon sale of the business unit related to the agency in Turin, via Barbera;
 (b) termination of the contract due to the actions and default of Cogetech Gaming Sr.l., payment of damages for breach to the transfer contract of the shop;
 (c) order of payment of damages for around Euro 12,600,000.00.

First hearing fixed on 18 November 2014. Cogetech Gaming appeared before the Court by filing a cross-claim and asking to summon a third party. At the first hearing, the Judge upheld the request to summon third parties by fixing the deadlines for the submission of notices and postponing the hearing until 7 July 2015. At this hearing, the Judge postponed the hearing until 23 September 2015. At the end of the latter, the Judge postponed the case until 20 January 2016 for admission of pre-trial motions. Upon lifting his reservation, the Judge postponed the conclusions to the hearing of 28 February 2017.

In the opinion of the legal experts, the risk of an unfavourable outcome might be deemed as merely possible.

29. Sundry payables and other liabilities

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

thousands of Euro	31.03.2016	31.12.2015	Change
Sundry payables and other non-current liabilities			
<i>Tax payables</i>			
- instalments on flat-rate tax	226	317	(91)
- Tax Authorities - 770 notice	486	512	(26)
	712	829	(117)
<i>Payables to social security institutions</i>			
- to INPS - instalments	431	455	(24)
	431	455	(24)
<i>Other payables</i>			
- for instalments related to PREU for previous years	929	1,114	(185)
- for guarantee deposit liabilities	3,820	3,820	0
- to others	46	46	0
	4,795	4,980	(185)
Total sundry payables and other non-current liabilities	5,938	6,264	(326)

Other current liabilities are composed as follows:

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thousands of Euro	31.03.2016	31.12.2015	Change
Other current liabilities			
<i>Tax payables</i>			
- income tax	4,123	3,058	1,065
- VAT	759	1,574	(815)
- Flat-rate tax	12,383	5,092	7,291
- instalments on flat-rate tax	189	140	49
- instalments on assessment notice	34	67	(33)
- Tax Authorities - 770 notice	149	149	0
- other tax debts	1,009	2,044	(1,035)
	18,646	12,124	6,522
<i>Payables to social security institutions</i>			
- Soc. Sec. Entities	2,624	3,343	(719)
- Soc. Sec. Entities - instalments	93	93	0
	2,717	3,436	(719)
<i>Other payables</i>			
- to ADM for outstanding PREU	45,724	46,362	(638)
- to ADM for guarantee deposits ADI	3,262	6,882	(3,620)
- for instalments related to PREU for previous years	789	782	7
- remaining payables from segment to ADM for stability law	29,388	31,150	(1,762)
- to winners and VLT jackpot reserve	13,748	13,717	31
- VLT required tickets	45	41	4
- to ADM as concession instalment	2,089	3,974	(1,885)
- to gamblers for antepost betting	2,382	1,404	978
- to gamblers for wins and refunds on national horse racing/sports forecast betting	2,120	1,844	276
- to ADM for outstanding PREU	873	904	(31)
- to ADM for required tickets	473	538	(65)
- to ADM for Sports Forecast and National Horse Racing Betting Concession	1,640	1,339	301
- for SNAI Card gaming bards	6,759	7,007	(248)
- to On-line Gaming players (Skill/Casino/Bingo)	112	147	(35)
- to players for wins in virtual events	398	439	(41)
- to ADM	21,664	21,681	(17)
- to employees and collaborators	5,642	5,105	537
- to directors	689	376	313
- to auditors	122	208	(86)
- for guarantee deposits	10,624	10,504	120
- to SIS	6,161	6,457	(296)
- to Teseo S.r.l. in liquidation	383	383	0
- to parent companies	33	0	33
- to others	4,659	4,886	(227)
	159,779	166,130	(6,351)
<i>Accrued liabilities and deferred income</i>			
- accrued liabilities	2,784	1,202	1,582
- deferred income	1,141	794	347
	3,925	1,996	1,929
Total other current liabilities	185,067	183,686	1,381

The instalments payable within 12 months on the tax assessment notice for a total of Euro 34 thousand concerned the settlement of the assessments and resulting acceptance of the tax assessment notices delivered in July 2013. The amount includes the tax, penalties e interest as defined in the final tax assessment notice, with acceptance granted on 26 July 2013 (for the year 2011), in which it was also agreed to extend payment through 12 quarterly instalments. Payables related to the flat-rate tax payable in instalments, amounting to Euro 415 thousand, of which Euro 226 thousand being due after one year and Euro 189 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 were related to 770 notices totalling Euro 635 thousand, including Euro 486 thousand being due after one year and Euro 149 thousand being due within one year, were related to tax assessments performed by Tax Authorities on tax returns filed by using the 770 form for the tax periods 2011, 2012 and 2013. The above assessment highlighted the non-payment of withholdings and additional taxes. The amount due was divided in instalments, each related to one year of non-payment. These instalments are regularly being paid.

The payables to social security institutions, related to instalments amounting to Euro 524 thousand, of which Euro 431 thousand being due after one year and Euro 93 thousand being due within one year, comprise payment orders issued by Equitalia and payable in instalments.

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 horse race 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 PREU payables related to instalments for previous years, amounting to Euro 1,718 thousand, of which Euro 929 thousand being due after one year and Euro 789 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2009 and 2010 PREU tax.

Payables of SNAI Group and the segment to ADM for the Stability Law, amounting to Euro 29,388 thousand (of which Euro 11,223 thousand referred to SNAI S.p.A. and Euro 18,165 thousand to Cogetech S.p.A.), are related to provisions envisaged by the Stability Law, approved by the Parliament at the end of December 2014, which, amongst other, outlined that the total amount of Euro 500 million be charged to the distribution segment of gaming machines (both AWP and VLT). This amount was apportioned according to the number of machines referable to each single concession holder, as quantified by the Directorial Decree no. 4076/2015 issued by ADM on 15 January 2015. According to the aforesaid decree, the amount related to the distribution segment for gaming machines referable to the companies of the SNAI Group is equal to Euro 84,832 million (of which Euro 37,792 thousand related to SNAI S.p.A. and Euro 47,040 thousand related to Cogetech S.p.A.), 40% of the annual amount to be paid within 30 April 2015, and the remaining 60% within 31 October 2015 (see Notes 10, 20 and 21). On the occasion of the maturity term of the first down payment expected on 30 April 2015, the amount theoretically due by the companies of the SNAI Group to ADM amounted to Euro 33,933 thousand (40% of the aforementioned Euro 84,832 thousand). On 30 April 2015 and 2 November 2015, the SNAI Group provided for the payment of a total amount of around Euro 50.4 million in favour of ADM (of which Euro 26.5 million by SNAI S.p.A. and Euro 23.9 million paid by Cogetech S.p.A.), according to the interpretation inferable from the Order and discussions undertaken with competent Authorities. Subsequently, between November 2015 and March 2016, the SNAI Group, through the company Cogetech S.p.A., paid further Euro 4.9 thousand, which had been meanwhile collected by operators in the segment. This amount, entirely paid, was made up of both the reduced portion of premiums and remunerations directly attributable to the companies of the SNAI Group and the reduced portion of premiums and remunerations actually paid to the operators of the distribution segment of gaming machines (AWPs and VLTs). As at 31 March 2016, receivables from the segment operators, concerning the amounts not paid, equal to Euro 29,388 thousand, were still outstanding. In light of opinions collected, the Group believes that it is not co-responsible as regards the above amounts. The Company duly informed ADM on the operator, within the segment, who did not pay, and on the related amounts that are still pending.

The item "Other payables to ADM", totalling Euro 21,664 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 were 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 22.

Payables to ADM for outstanding PREU, in the amount of Euro 45,724 thousand, are calculated from the gaming machine (ADI) transactions.

Payables to SIS, amounting to Euro 6,161 thousand, are related to the rental, with following purchase, of the business unit of the company SIS and are disclosed net of some receivables.

The Deferred income item, amounting to Euro 1,141 thousand, is related, in the amount of Euro 748 thousand, to the portion of the grants to the MIPAAF (former ASSI) investment fund recognised as grants related to investments.

30. Trade payables

The trade payables are composed as follows:

thousands of Euro	31.03.2016	31.12.2015	Change
Trade payables			
- to suppliers	34,884	42,360	(7,476)
- to stables, jockeys and bookies	143	150	(7)
- to foreign suppliers	1,225	1,784	(559)
- advances paid to suppliers	(588)	(1,518)	930
- credit notes to be received	(158)	(411)	253
Total trade payables	35,506	42,365	(6,859)

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 at 31.03.2016	of which due on 31.03.2016
Financial payables	16,545	-
Trade payables	35,506	7,938
Tax payables	18,646	-
Payables to social security institutions	2,717	-
Other payables	159,779	-
	233,193	7,938

The amounts due as at 31 March 2016, i.e. Euro 7,938 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 31 March 2016. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

32. 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 188,744 thousand as at 31 March 2016 (Euro 188,845 thousand as at 31 December 2015).

As regards values disclosed in the financial statements as at 31 December 2015, the changes occurred in financial commitments are disclosed hereunder:

Bank	Beneficiary	Subject matter of the guarantee	Increases/(Decreases) as at 31.03.2016 (thousands of Euro)
Cariparma	ADM	Giorgetti rights	(101)
Total			(101)

33. Related Parties

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 identical to equivalent contracts in place with third parties.

Some SNAI Group companies have accounts with Banca MPS, Intesa San Paolo, Poste Italiane, Banca CR Firenze S.p.A., Unicredit S.p.A. and Banco Popolare Società Cooperativa, which may be considered related parties to the SNAI Group.

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

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	31.03.2016	% Impact	31.12.2015	% Impact
Trade receivables:				
- from Global Games S.p.A.	1	0.00%	-	0.00%
	1	0.00%	-	0.00%
Other current assets:				
- to companies related to directors of SNAI S.p.A.	3	0.00%	-	0.00%
	3	0.00%	-	0.00%
Total Assets	4	0.00%	-	0.00%
Trade payables:				
- to companies related to directors of SNAI S.p.A.	17	0.05%	30	0.07%
	17	0.05%	30	0.07%
Other current liabilities:				
- to companies related to directors of SNAI S.p.A.	10	0.01%	-	0.00%
- to companies related to shareholders of SNAI S.p.A.	23	0.01%	-	0.00%
- to Teseo S.r.l. in liquidation	383	0.21%	383	0.21%
	416	0.23%	383	0.21%
Total Liabilities	433	0.05%	413	0.05%

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

thousands of Euro	1st Quarter 2016	% Impact	1st Quarter 2015	% Impact
Revenues from services and chargebacks:				
- to companies related to directors of SNAI S.p.A.	2	0.00%	1	0.00%
	2	0.00%	1	0.00%
Other revenues				
- from Global Games S.p.A.	1	0.04%	1	0.00%
	1	0.04%	1	0.00%
Total Revenues	3	0.00%	2	0.00%
Costs for services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	2	0.00%	2	0.00%
- from companies related to shareholders of SNAI S.p.A.	21	0.01%	-	0.00%
- from directors of Teleippica S.r.l.	-	0.00%	20	0.02%
- from directors of Finscom S.r.l.	8	0.01%	-	0.00%
- from directors and companies related to Finscom S.r.l.	31	0.02%	-	0.00%
- from directors of Cogetech Gaming S.r.l.	8	0.01%	-	0.00%
	70	0.05%	22	0.02%
Other operating costs:				
- from companies related to directors of SNAI S.p.A.	3	0.02%	3	0.04%
	3	0.02%	3	0.04%
Total Costs	73	0.04%	25	0.02%

Revenues from services and chargebacks and other income affected the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.01% in the first quarter of 2016 (0% in the first quarter of 2015), whereas the total income affected the profit/(loss) for the first quarter of 2016 in the amount of 0.19% (0.02% in the first quarter of 2015).

Costs for raw materials and consumables, services and chargebacks and other operating costs affected the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.19% in the first quarter of 2016 (0.05% in the first quarter of 2015), whereas total costs affected the profit/(loss) for the first quarter of 2016 in the amount of 4.54% (0.22% in the first quarter of 2015).

Remuneration received as base remuneration by managers with strategic responsibilities in the first quarter amounted to Euro 412 thousand.

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 31 March 2016.

thousands of Euro	31.03.2016	31.12.2015
Other financial assets:		
- to Cogetech S.p.A.	110,738	110,738
Total Other financial assets	110,738	110,738
Trade receivables:		
- from Global Games S.p.A.	1	-
- from Società Trenno S.r.l.	247	178
- from Finscom S.r.l.	88	106
- from Snai Rete Italia S.r.l.	773	849
- from Teleippica S.r.l.	64	66
- from Cogetech S.p.A.	2	-
- from Cogetech Gaming S.r.l.	2	-
Total trade receivables	1,177	1,199
Other current assets:		
- from companies related to directors	3	-
- from Società Trenno S.r.l.	-	62
- from Teleippica S.r.l.	2,082	1,955
- from Snai Rete Italia S.r.l.	12	-
Total other current assets	2,097	2,017
Financial receivables:		
- from Società Trenno S.r.l.	6,994	5,940
- from Snai Rete Italia S.r.l.	3,687	2,949
- from Cogetech S.p.A.	2,486	375
Total financial receivables	13,167	9,264
Total Assets	127,179	123,218
Trade payables:		
- to companies related to directors	17	30
- to Società Trenno S.r.l.	66	182
- to Finscom S.r.l.	7	8
- to Snai Rete Italia S.r.l.	15	16
- to Teleippica S.r.l.	383	333
- to Cogetech S.p.A.	469	20
Total trade payables	957	589
Other current liabilities		
- to companies related to directors	10	-
- to Società Trenno S.r.l.	6,946	6,747
- to Snai Rete Italia S.r.l.	1,611	1,195
- to Teleippica S.r.l.	81	-
- to Teseo S.r.l. in liquidation	383	383
- to companies related to shareholders	23	-
Total other current liabilities	9,054	8,325
Current financial payables:		
- to Teleippica S.r.l.	9,745	10,504
Total current financial payables	9,745	10,504
Total Liabilities	19,756	19,418

thousands of Euro	1st Quarter 2016	1st Quarter 2015
Revenues from services and chargebacks:		
- from companies related to directors	2	1
- from Società Trenno S.r.l.	62	48
- from Snai Rete Italia S.r.l.	38	-
- from Finscom S.r.l.	2	-
- from Cogetech S.p.A.	4	-
- from Teleippica S.r.l.	-	17
Total revenues from services and chargebacks	108	66
Other revenues		
- from Global Games S.p.A.	1	1
- from Società Trenno S.r.l.	105	96
- from Teleippica S.r.l.	137	127
- from Cogetech S.p.A.	1	-
- from Cogetech Gaming S.r.l.	1	-
Total other revenues	245	224
Interest income:		
- from Società Trenno S.r.l.	140	76
- from Snai Rete Italia S.r.l.	73	-
- from Teleippica S.r.l.	-	2
- from Cogetech S.p.A.	2,111	-
Total interest income	2,324	78
Total Revenues	2,677	368
Costs for services and chargebacks:		
- from companies related to shareholders and directors	2	2
- from Società Trenno S.r.l.	99	99
- from Finscom S.r.l.	392	-
- from SNAI Rete Italia S.r.l.	2,461	-
- from Teleippica S.r.l.	798	752
- from Cogetech S.p.A.	4	-
Total costs for services and chargebacks	3,756	853
Costs of seconded personnel		
- from Cogetech S.p.A.	234	-
Total costs of seconded personnel	234	-
Other operating costs		
- from companies related to directors	3	3
Total other operating costs	3	3
Interest expense and fees		
Interest expense to Teleippica S.r.l.	220	13
Total interest expense and fees	220	13
Total Costs	4,213	869

34. Financial risk management

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

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.

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. On 28 July 2015, during the refinancing transaction connected with the merger of Cogemat, the aforesaid revolving credit line was increased by Euro 25,000 thousand, with UniCredit

S.p.A. and J.P. Morgan Chase Bank, N.A as lending banks, respectively with Euro 15,000 thousand and Euro 10,000 thousand, at the same terms and conditions set out in 2013. The line now amounts to Euro 55,000 thousand. The increased amount could be used at the acquisition date of the Cogemat/Cogetech Group, occurred on 19 November 2015, and the fulfilment of conditions precedent, occurred on 10 December 2015. The Senior Revolving Facility had not been used as at 31 March 2016.

On 20 July 2015, the Board of Directors of SNAI approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity term on 15 June 2018. Bonds were initially subscribed by J.P.Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed at qualified investors. The Bonds are listed on the Euro MTF market, organised and managed by the Stock Exchange of Luxembourg. As regards the merger with the Cogemat Group, revenues resulting from the issue of Bonds will be used by the Company for the partial early cash repayment of payables resulting from some loans related to Cogemat and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on 21 July 2015, for a total principal up to Euro 110 million, with maturity term on 15 June 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on yoy basis. The Bond issue and regulation took place on 28 July 2015.

High yield bond loans, representing the financial indebtedness of the Group as at 31 December 2015, except the 2013 bond loan of Euro 160,000 thousand, are guaranteed (like the revolving credit line, unused at the reporting date) by a number or collaterals and personal guarantees granted by the SNAI Group companies, including a) pledge on 50%, plus one share of SNAI share capital, consisting in a portion of Global Games, b) pledged on 100% of the shareholding in Teleippica S.r.l., comprising a portion of SNAI, c) pledge on some intellectual rights owned by SNAI, d) pledge on 100% of Cogemat share capital consisting in a portion of SNAI, e) transfer, as guarantee, of receivables owned by SNAI related to the intercompany loan granted by SNAI to Cogetech and lastly, f) personal guarantee of Cogetech and Cogemat. Moreover, the revolving credit line is guaranteed by a mortgage on some real estate properties owned by SNAI.

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.

Financial Derivatives

As at 31 March 2016, the Group had no financial derivatives.

Liquidity Risk

Liquidity risk is 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 transaction entered into in December 2013 with the issue of bond loans and the entering of a revolving facility unused as at 31 March 2016.

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.

As at 31 March 2016, the Group was not subject to interest rate risk as bond loans are at a fixed rate. The aim of the interest rate risk management is to protect the 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 receivables. Accruals to the provision for doubtful receivables 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 above-mentioned receivables, the maximum exposure to credit risk, without taking into account any security that may be held or other instruments that may mitigate credit risk, is represented by their fair value. The risk regarding the Group's other financial assets is in line with market conditions.

Exchange rate risk

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

Capital management

The capital management of the Group aims at guaranteeing a solid credit rating and adequate 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 debt. It is the Group's policy to seek to maintain a ratio of between 0.3 and 1.0.

thousands of Euro	31.03.2016	31.12.2015
Interest-bearing loans	590,414	576,633
Non-interest-bearing loans	32	32
Financial liabilities	590,446	576,665
Trade payables and other liabilities	226,511	232,315
Financial Assets	(117,929)	(121,592)
Cash and cash equivalents	(111,979)	(107,588)
Net debt	587,049	579,800
Shareholders' Equity	137,250	135,625
Total Shareholders' Equity	137,250	135,625
Shareholders' equity and net debt	724,299	715,425
Net debt/(shareholders' equity and net debt) ratio	81.1%	81.0%

35. Significant non-recurring events and transactions

During the first quarter 2016, 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").

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

No atypical and/or unusual operations took place during the first quarter of 2016.

37. Group structure

Ownership of the Group

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

Significant shareholdings in subsidiaries

	Percentage held		
	31.03.2016	31.12.2015	31.03.2015
Società Trenno S.r.l. held by a sole quotaholder	100	100	100
Teleippica S.r.l.	100	100	100
SNAI Rete Italia S.r.l.	100	100	0
Finscom S.r.l.	100	100	0
Cogemat S.p.A.	100	100	0
Cogetech S.p.A.	100	100	0
Cogetech Gaming S.p.A.	100	100	0
Azzurro Gaming S.p.A.	100	100	0
Fondazione IziLove Fondation	100	100	0

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

38. 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	31.03.2016	31.12.2015
A. Cash on hand	1,392	1,338
B. Other cash and cash equivalents	110,587	106,250
<i>bank accounts</i>	109,766	105,478
<i>postal accounts</i>	821	772
C. Securities held for trading	1	1,484
D. Liquidity (A) + (B) + (C)	111,980	109,072
E. Current financial receivables	0	0
F. Current bank debts	73	71
G. Current portion of non-current indebtedness	0	0
H. Other current financial payables	16,472	3,493
- for interest on bond loans	15,169	2,166
- for acquisition of sports and horse racing concessions	32	32
- to other lenders	1,271	1,295
I. Current financial indebtedness (F) + (G) + (H)	16,545	3,564
J. Net current financial indebtedness (I) - (E) -(D)	(95,435)	(105,508)
K. Non-current bank debts	0	0
L. Bonds issued	573,872	573,030
M. Other non-current payables	29	71
- to other lenders	29	71
N. Non-current financial indebtedness (K) +(L) + (M)	573,901	573,101
O. Net financial indebtedness (J)+(N)	478,466	467,593

It is worth nothing that, according to cash flows resulting from the prospective estimated of the management, the Company could be unable to fully repay its payables related to bond loans but, in line with a generally accepted market practice, the Company will be able to refinance the portion of indebtedness that is possibly still unpaid at maturity term.

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,853 thousand, classified under item "current financial assets" on the balance sheet, the special current account of Euro 95 thousand and the other non-current financial assets, equal to Euro 1,773 thousand (see Note 21).

With respect to the net financial indebtedness as at 31 December 2015, the net financial debt increased by Euro 10,873 thousand. The increase is mainly due to the recognition of the interest expense on bond loan, albeit mitigated by increased cash and cash equivalents.

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

(amounts in thousands of Euro)	31.03.2016	31.12.2015
A. Cash on hand	100	137
B. Other cash and cash equivalents	68,945	53,841
- banks	68,124	53,069
- postal accounts	821	772
C. Securities held for trading	1	1
D. Liquidity (A)+(B)+(C)	69,046	53,979
E. Current financial receivables	13,167	9,264
- financial current account with subsidiaries	10,681	8,889
- interest on loan	2,486	375
F. Current bank debts	73	66
G. Current portion of non-current indebtedness	0	0
H. Other current financial payables:	26,190	13,973
- for interest on bond loans	15,164	2,166
- financial current account with subsidiaries	9,745	10,504
- for acquisition of sports and horse racing concessions	32	32
- to other lenders	1,249	1,271
I. Current financial indebtedness (F)+(G)+(H)	26,263	14,039
J. Net current financial indebtedness (I)-(E)-(D)	(55,950)	(49,204)
K. Non-current bank debts	0	0
L. Bonds issued	573,872	573,030
M. Other non-current payables:	13	39
- to other lenders	13	39
N. Non-current financial indebtedness (K)+(L)+(M)	573,885	573,069
O. Net financial indebtedness (J)+(N)	517,935	523,865

The net financial position of SNAI S.p.A. does not include the term-deposit bank accounts, unavailable account balances and other non-current financial assets are not included.

38.1 Covenants

As is customary for loans of this kind, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 27, prescribe a number of obligations for the Group.

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

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A., Deutsche Bank S.p.A. and JP Morgan Chase Bank, N.A., Milan Branch, relating to a Senior Revolving loan for a total amount of Euro 55 million (for more information see Note 27).

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

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

It is noted that, as at 31 March 2016, the Group was compliant with commitments and covenants.

39. Events occurred after the period

39.1 ADM monitoring procedure on concession ratios of SNAI S.p.A.

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

39.2 Approval of the merger project

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

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

Taking account that SNAI already holds the entire share capital of Cogemat, which, in turn, holds the entire share capital of CGT Gaming and Cogetech (owning the entire share capital of Azzurro), no SNAI shares will be assigned in exchange of shareholdings in the merging companies that are directly and indirectly owned. No share capital increase for SNAI is therefore envisaged for exchange purposes, nor changes in the number and characteristics of outstanding SNAI shares, or cash compensation are envisaged. The Articles of Association of the merging company shall not be amended in reason of the merger and the latter shall not entitle shareholders to exercise any withdrawal right.

On 29 April the Company deposited the project of the merger at the Registers of Companies in Lucca and Milan.

39.3 Notice of ADM concerning the 2015 Stability Law

On 28 April, ADM sent a notice inviting the Concession holders to update the previously submitted notes on the operators that did not pay the amounts due on the reduced portion of premiums and remunerations, for a total amount of Euro 500 million (pursuant to provisions set forth by the 2015 Stability Law), as well as to start actions aimed at recovering the amounts still due added with interest. Legal advice obtained by the Company, also after receiving the aforesaid notice, highlight that the shared liability with Concession holders as regards the payment of the above-mentioned amounts is groundless.

39.4 Relations with Consob

The Company began the drawing up of the Information Statement on the admission to listing on the MTA, organized and managed by Borsa Italiana S.p.A., of 71,602,410 ordinary shares related to the share capital increase connected with the acquisition of the Cogemat Group. To this purpose, the authorization was asked to Consob, with the aim of obtaining permission to publish the Statement within the first half of 2016.

39.5 Appointment of the Director in charge of the preparation of the corporate accounting documents

On 13 May, the BoD appointed Mr. Chiaffredo Rinaudo as Director in charge of the preparation of the corporate accounting documents of the SNAI Group.

Other Disclosures

These Explanatory Notes are supplemented by the information reported in the annexes:

- 1) Composition of the SNAI Group as at 31 March 2016.

The annexes form an integral part of these notes and provide additional details and explanation of the relevant items in the financial statements.

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

These financial statements are a true and faithful representation of the consolidated net worth, financial and earnings position for the year and reflect the accounting records.

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

Milan, 13 May 2016

The director in charge of the preparation of the corporate accounting documents, Mr. Chiaffredo Rinaudo, declares, pursuant to paragraph 5, Art. 154-bis of the Finance Act, that the accounting information contained in these condensed interim consolidated financial statements are consistent with the information contained in the documents, books and accounting records.

Composition of the SNAI Group as at 31 March 2016

(thousands of Euro)

Name	Head office	Share Capital	Owned percentage	Note	Type of business	Consolidation method/Valuation criteria
- SNAI S.p.A.	Porcari (LU)	97,982	Parent Company		Acceptance of horse racing and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - skill games	Line-by-line basis
Subsidiaries:						
- Società Trenno S.r.l. held by a sole quotaholder	Milan (MI)	1,932	100%	(1)	Organization and operation of horse races and the training centre	Line-by-line basis
- Cogemat S.p.A.	Milan (MI)	35,176	100%	(2)	Control and coordination holding	Line-by-line basis
- Cogetch S.p.A.	Milan (MI)	10,000	100%	(3)	Marketing of horse racing and sports betting through its own concessions - electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - remote skill games - marketing of value added services	Line-by-line basis
- Cogetech Gaming S.r.l.	Milan (MI)	101	100%	(4)	Marketing of horse racing and sports betting with own concessions	Line-by-line basis
- Azzurro Gaming S.p.A.	Milan (MI)	5,000	100%	(5)	Management of gaming machines	Line-by-line basis
- Fondazione IziLove Fondazione	Milan (MI)	100	100%	(6)	No profit company - Social solidarity and charity	Line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	100%	(7)	Design and planning of betting management software systems	Shareholders' Equity
- Teleippica S.r.l. held by a sole quotaholder	Porcari (LU)	2,540	100%	(8)	Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers	Line-by-line basis
- SNAI rete Italia S.r.l. held by a sole quotaholder	Porcari (LU)	10	100%	(9)	Acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points	Line-by-line basis
- Finscom S.r.l.	Mantua (MN)	25	100%	(10)	Direct management of sales points	Line-by-line basis
Associates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(11)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30%	(12)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	996	30.7%	(13)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connex S.r.l. in liquidation	Porcari (LU)	82	25%	(14)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
- C.G.S. Consorzio Gestione Servizi in liquidation	Milan (MI)	22	50%	(15)	Accounting, administrative, IT and advertising services for the members of the consortium	Shareholders' Equity
Other companies:						
- Lexorfin S.r.l.	Rome (RM)	1,500	2.44%	(16)	Financial holding company in the horse race sector	Cost
- Obiettivo 2016 S.r.l.	Mantua (MN)	90	0.01%	(17)	Data electronic processing - dormant	Cost

Notes on the composition of the SNAI Group

- (1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the merger by incorporation of Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.). The company was incorporated on 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., acquired on 19 November 2015 through transfer.
- (3) Wholly-owned subsidiary through Cogemat S.p.A., acquired with the merger of the Cogemat Group on 19 November 2015.
- (4) Wholly-owned subsidiary through Cogemat S.p.A., acquired with the merger of the Cogemat Group on 19 November 2015.
- (5) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the merger of the Cogemat Group on 19 November 2015.
- (6) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the merger of the Cogemat Group on 19 November 2015.
- (7) Incorporated on 13 November 1996, and acquired by SNAI S.p.A. on 30 December 1999. On 3 August 2001, Teseo S.r.l. entered winding-up.
- (8) 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. Over the course of 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.
- (9) On 3 April 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10 thousand, also aimed at the acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points.
- (10) On 1 April 2015, SNAI S.p.A. ("SNAI") entered a Debt Restructuring Agreement with Finscom S.r.l., in liquidation, ("Finscom") and the shareholders of Finscom, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on 8 April 2015. The meeting resolved on the following: (i) settlement of losses and re-establishment of Finscom's share capital (Euro 25,000.00), partly through the corresponding waive of some amounts receivable and partly through the increase of the share capital reserved to SNAI and SNAI Rete Italia S.r.l. (subject indicated by SNAI pursuant to the Debt Restructuring Agreement), as well as (ii) the revocation of the liquidation position of Finscom. Following the waiver by Finscom's shareholders to their right of subscribing the reserved share capital increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase

by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09. At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.

- (11) On 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. SNAI S.p.A.'s shareholding was unchanged at 27.78%.
- (12) 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%.
- (13) Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.), now merged into SNAI S.p.A., already owned 30.70% of this shareholding.
- (14) On 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. On 4 February 2015, the shareholders' meeting resolved to wind up the company.
- (15) Acquired on 8 April 2015 through the purchase of the company Finscom S.r.l.
- (16) 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.
- (17) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the merger of the Cogemat Group on 19 November 2015.