



INTERIM MANAGEMENT
REPORT AS OF
SEPTEMBER 30, 2016

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Interim Management Report as of September 30, 2016

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**CORPORATE BODIES
AND INDEPENDENT AUDITORS OF SNAI SPA**

Board of Directors

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

*Chairman
Managing Director*

**Mara Caverni
Fabio Schiavolin**

Directors

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

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

Board of Statutory Auditors

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

*Chairwoman
Standing Auditors*

**MariaTeresa Salerno
Massimo Gallina
Maurizio Maffeis**

Independent auditors

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

PricewaterhouseCoopers S.p.A.

**** Co-opted on September 13, 2016 to replace the resigning Gabriele Del Torchio, in office until the next Shareholders' Meeting.

** Members of the Control and Risks Committee.

*** Members of the Compensation Committee.

**** Members of the Related Party Committee.

Comment on the main KPIs for the period

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

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

Total SNAI Group revenues rose by 64.2%, from Euro 403.3 million in the first nine months of 2015 to Euro 662.1 million in the same period of 2016. Revenues from sales and services amounted to Euro 653.3 million in the first nine months of 2016 as compared to Euro 374.2 million in the first nine months of 2015, with a 74.6% increase, which is mainly due to the combined effect of the merger of the Cogemat Group and the re-opening of the Finscom S.r.l. and former SIS points of sale, the Summer betting schedule that included games of the European soccer championship, and the positive dynamics recorded by sports betting (despite a higher payout compared to the same period of 2015) and on-line games. Net of revenues attributable to the Cogemat Group, revenues from sales and services of the first nine months of 2016 disclosed a decrease of 2.7% compared to the same period of 2015, which was mainly due to the increased PREU.

Other revenue and income dropped from Euro 29.1 million in 2015 to Euro 8.8 million in 2016, showing a Euro 20.3 million decrease. This was mostly due to the transaction for the amicable settlement of the dispute between SNAI S.p.A., on the one side, and Barcrest Group Limited, The Global Draw Limited, and their parent company Scientific Games Corporation on the other side, which occurred in February 2015 for a total amount of Euro 27.5 million.

As a consequence of the increase in revenues reported and thanks to good operating performance, in the first nine months of 2016 Group EBITDA (which is presented net of non-recurring revenues and costs) rose to Euro 97.6 million as compared to Euro 56.5 million in the first nine months of 2015, with 72.8% growth. Net of Cogemat Group EBITDA, the EBITDA in the first nine months of 2016 recorded a Euro 10.7 million increase over the result in the same period of 2015. This increase is mainly due to the positive results reported in sports betting, on-line games and gaming machines. Non-recurring costs totalled Euro 2.5 million in the first nine months of 2016, while non-recurring net revenues came to Euro 20.7 million in the same period of the previous year, mostly caused by the above-mentioned Barcrest transaction.

The third quarter of 2016 highlights total revenues for Euro 219.7 million, +82.3% compared to the third quarter of 2015 by effect of the integration of the Cogemat group, the re-opening of the former SIS points of sale, the Summer betting schedule that included games of the European soccer championship and Olympic Games, and the positive dynamics recorded by sports betting and on-line games. EBITDA stood at Euro 29.9 million in the third quarter of 2016, up if compared to Euro 16.9 million in the same period of 2015.

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>thousands of Euro</i>	First nine months		Change		III quarter		Change	
	2016	2015	€	%	2016	2015	€	%
Total revenues	662,091	403,305	258,786	64.2	219,674	120,494	99,180	82.3
EBITDA	97,627	56,481	41,146	72.8	29,905	16,918	12,987	76.8
EBITDA Adj	102,873	59,589	43,284	72.6	32,402	19,167	13,235	69.1
EBIT	53,271	33,111	20,160	60.9	14,299	(371)	14,670	>100
Profit before taxes	6,573	(9,165)	15,738	>100	(1,256)	(15,122)	13,866	91.7
Net profit (loss)	(7,537)	(13,999)	6,462	46.2	(7,141)	(14,333)	7,192	50.2
Diluted earnings/(loss) per share	(0.04)	(0.12)	0.08	66.7	(0.04)	(0.12)	0.08	66.7

EBITDA was influenced by the following non-recurring revenues and costs incurred for operating purposes (Note 36 shows the non-recurring revenues and costs as envisaged under Consob Resolution No. 15519 of July 27, 2006):

Non-recurring revenues and costs	
<i>thousands of Euro</i>	First nine months of 2016
Non-recurring revenues and costs	
Active trading	(5,990)
Costs related to active trading	4,916
Costs related to non-recurring consultancies	1,453
Leaving incentives	1,055
Other	1,102
Impact on EBITDA	2,536

Group EBIT in the first nine months of 2016 was Euro 53.3 million as compared to Euro 33.1 million in the first nine months of last year.

The Group's result before taxes in the first nine months of 2016 was Euro 6.6 million as compared to a loss of Euro 9.2 million for the first nine months of the previous year. This increase stemmed from the consolidation of the Cogemat Group and the good performance of ordinary activity, partially offset by the greater financial expenses tied to the new Euro 110 million bond issued in November 2015, in addition to the extraordinary income recorded in February 2015.

The net loss of the SNAI Group in the first nine months of 2016 was Euro 7.5 million an improvement, as compared to Euro 14 million loss in the first nine months of 2015.

The net financial indebtedness of the SNAI Group as of September 30, 2016, was equal to Euro 450.1 million, as compared to Euro 467.6 million as of December 31, 2015. This decrease is mainly due to the increase in cash and cash equivalents determined by cash flows of ordinary activities, partially offset by increased payables for interest on bond loans accrued and allocated for the period.

- **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 Statement of Comprehensive Income.

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

EBITDA								
<i>thousands of Euro</i>	First nine months		Change		III quarter		Change	
	2016	2015	€	%	2016	2015	€	%
EBIT	53,271	33,111	20,160	60.9	14,299	(371)	14,670	>100
+ Depreciation of Tangible Assets	14,295	12,656	1,639	13.0	4,765	4,226	539	12.8
+ Amortisation of Intangible Assets	27,296	29,042	(1,746)	(6.0)	9,585	9,001	584	6.5
+ Net losses of value	55	247	(192)	(77.7)	55	100	(45)	(45.0)
+ Other allocations	174	2,149	(1,975)	(91.9)	24	2,238	(2,214)	(98.9)
Earnings before interest, tax, depreciation and amortisation	95,091	77,205	17,886	23.2	28,728	15,194	13,534	89.1
+ Non-recurring costs	2,536	(20,724)	23,260	>100	1,177	1,724	(547)	(31.7)
EBITDA	97,627	56,481	41,146	72.8	29,905	16,918	12,987	76.8
+ Current portion of the provision for doubtful debts	5,246	3,108	2,138	68.8	2,497	2,249	248	11.0
EBITDA Adj	102,873	59,589	43,284	72.6	32,402	19,167	13,235	69.1

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

Profit before taxes

<i>thousands of Euro</i>	First nine months		Change		III quarter		Change	
	2016	2015	€	%	2016	2015	€	%
EBIT	53,271	33,111	20,160	60.9	14,299	(371)	14,670	>100
+ Earnings of companies consolidated using the equity method	(5)	55	(60)	>100	0	0	0	
+ Financial income	626	942	(316)	(33.5)	218	280	(62)	(22.1)
+ Financial expenses	(47,323)	(43,259)	(4,064)	(9.4)	(15,775)	(15,032)	(743)	(4.9)
+ Net gains (losses) on exchange rates	4	(14)	18	>100	2	1	1	>100
Profit before taxes	6,573	(9,165)	15,738	>100	(1,256)	(15,122)	13,866	91.7

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 September 30, 2016**National gaming market

Based on data in our hands (ADM's official data, media news items, segment surveys), we estimate that, in the first nine months of the year, total wagers for the gaming market would stand around Euro 70 billion, up by around 9% compared to the same period of 2015.

The segments that contributed the most to this development are the gaming machine segment (total wagers of Euro 36.7 billion, up by around 4%), sports betting (wagers of Euro 5.2 billion, up by around 32%, above all thanks to the recovery of taxable amounts through the identification of physical and on-line gaming operators) and on-line gaming (wagers up by 22% to Euro 11.6 billion, driven by the growth of casino games).

A positive contribution to the increase in wagers also comes from totalisator bets (+46%) and the lottery (Lotto) game (+14%), while horserace bets decreased by around 5%. Wagers from Bingo, Lotteries and bets on virtual events remained substantially unchanged compared to the same period of 2015.

The performance reported by the Group in the first nine months of 2016 is shown in the following table. For greater clarity in terms of statement and comparison, the 2016 figures are compared against the 2015 pro-forma figures stated, considering a contribution of the Cogemat group for the period of comparison.

Gaming machines

As of September 30, 2016, in the AWP segment the SNAI/Cogetech Group had 60,239 authorisations to operate (of which 52,992 installed in 15,503 shops in the territory). Moreover, the Group owns 10,278 licences to operate through VLTs, of which 9,988 devices are active in 1,266 premises.

The Group's volumes of wagers in the Gaming Machines segment improved, compared to those in the previous year, from Euro 5,435 million to Euro 5,547 million, with 2.1% growth. This result is due to the excellent performance of VLTs, whose wagers recorded 5.8% increase thanks to the continuous optimization of the distribution network (Euro 2,626 million in 2016 against Euro 2,482 million in 2015). Wagers of AWP's in the first nine months of 2016 amounted to Euro 2,920 million, down by 1.1% compared to the same period of 2015.

During the first nine months of 2016, the Group took steps to change the AWP game cards, as set forth by provisions of 2016 Stability Law (which decreased to minimum level of payout from 74% to 70% to offset the increase in PREU). As of September 30, the replacement of game card had already involved almost 90% of the installed machines.

Bets

The sports betting acceptance network of the Group is characterised by widespread diffusion throughout Italy and is comprised of over 2,181 gaming points, of which 1,585 with a direct gaming concession (of which 689 shops and 896 corners) and the remaining ones with the supply of specialised services to the third party Concession Holder.

Group wagers during the first nine months of 2016 for the sports bets segment reported 24.7% growth, from Euro 424 million in 2015 to Euro 528 million in 2016. This increase was due to the re-opening of the Finscom and former SIS points of sale and the development of products offered.

As regards the on-line channel, wagers for sports bets increased to Euro 193 million, compared to Euro 128 million in 2015, up by 50.6%. Both channels could benefit from a Summer betting schedule that included games of the European soccer championship and Rio's Olympic Games.

In the first nine months of 2016, the payout (percentage of wins paid to bettors relative to total wagers) on sports betting amounted to 83.2%, versus 81.4% in the same period of 2015.

Over the first nine months of 2016, bets made on horse races at physical and virtual points (betting agencies, shops and corners and on-line) amounted to Euro 174 million, down by 1% compared to the same period of 2015.

Wagers on simulated events amounted to Euro 227 million and, thanks to the re-opening of the Finscom and former SIS points of sale and the network optimization activity, they increased by 3.5% compared to the first nine months of 2015.

As regards the Finscom and former SIS points of sale, it is worth noting that the process of management outsourcing and assignment to third parties was started and as of September 30, the transfer of the first points of sale was concluded.

On-line games

Thanks to the new strategy focused on the acquisition and strengthening of the cross-selling activity on the physical network, in the first nine months of 2016 wagers related to On-line Skill and Casino Games segment increased by 18.9% compared to the same period of 2015, from Euro 550 million to Euro 654 million.

Value-added services

As regards the segment of services, in the first nine months of 2016 a total volume of transactions equal to Euro 87 million was recorded, up by 10.6% compared to the same period of 2015. Wagers on providing slightly decreased to Euro 354 million (-2.9% compared to 2015).

Business outlook

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

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

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

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

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

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

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

As regards the retail network of SNAI Rete Italia S.r.l., the outsourcing strategy will be launched by assigning the management of sales points to third party operators.

Progress of the business plan

Directors deem that SNAI's consolidated Business Plan (approved on March 12, 2015) contains forecasts that are no longer updated by reason of the merger of the Cogemat Group into the SNAI Group and the new macro-economic and regulatory context in which the SNAI Group operates. While compiling the new consolidated Business Plan, on 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 aforesaid Guidelines were subsequently updated on September 23, 2016, to reflect the changed operating framework, with special reference to the postponement of the assignment procedure of the licences related to Betting.

The new Business Plan is currently being prepared. Fine-tuning is required for estimates related to important scenarios, still to be defined, like (i) estimates on timing and investments connected with the tender for new concessions on the Betting tender and (ii) effects resulting from the possible reorganization and reduction of workforce in SNAI S.p.A. following the merger with the Cogemat Group, as per negotiations currently in place with Trade Unions.

The Business Plan itself will also be able to fully reflect the financial benefits resulting from the recent refinancing transaction concluded by the SNAI Group on November 7, 2016.

It is worth noting that, to date, at the end of the first nine months of 2016, EBITDA reported a performance which is higher than both the performance in first nine months of the previous year and estimates indicated in the Guidelines.

The differences with respect to the forecasts are attributable to some main phenomena, such as:

- i) revenues and margins resulting from sports betting and on-line gaming, due to higher wagers;
- ii) revenues and margins of AWP business, thanks to a timelier replacement of game cards than expected, which in reality mitigated the impact of the increase in the PREU;
- iii) reduction of certain overheads due to the merger with the Cogemat Group.

Material events in the third quarter 2016

Sale of business units

During the third quarter of 2016, the sale to third parties of the business units, consisting in shops in Valenza, Alessandria and Turin, via Carena, was completed at a sales price of Euro 10 thousand for the first two shops and Euro 15 thousand for the third one. The goods and relations transferred are listed in the related notary deeds, signed before the Notary Elena Terrenghi in Milan.

Always in the third quarter of 2016, with deed of the Notary Public Elena Terrenghi in Milan, agreements were signed for the sale of the Business Units consisting in the shops located in Milan, via Brunelleschi and Modena, via Barozzi for a sales price of Euro 10 thousand and Euro 60 thousand, respectively. In both cases, the parties agreed that the agreement would be effective upon the issue of licenses (condition precedent), within 180 days from the signature of the agreement (the "Term"), in favour of the Transferee, as per Art. 88 TULPS (the "Licences") for the exercise of marketing activities of public and legal gaming through video terminal as per the agreement. At the reporting date of these financial statements, the conditions precedent have not been fulfilled yet in the case of Milan, via Brunelleschi shop, while the sale of the shop in Modena became effective on October 17, 2016. The goods and relations transferred are listed in the related notary deeds.

Lease of SIS BU

The sales deed of the complex, previously leased by SNAI Rete Italia S.r.l. based on a lease contract, was signed on July 18, 2016 with translation effect as from June 30, 2016.

The transfer price was determined based on the contract, by deducting from the specified amount, the rentals accrued and paid by SNAI Rete Italia S.r.l. up to June 30, 2016. In application of this criterion, the price was set at around 7.3 million.

The effective balance paid by SNAI Rete Italia S.r.l. to S.I.S. S.r.l. in liquidation, included deductions related to all adjustments and translation values agreed upon by the Parties, and it was determined and paid in the amount of around Euro 5.3 million.

Against the above-mentioned indemnity commitment, SNAI Rete Italia S.r.l. opened an escrow account, for the amount of around Euro 760 thousand, to guarantee possible liabilities that might occur before March 31, 2017 and paid S.I.S. S.r.l. in liquidation, the amount of Euro 340 thousand as reimbursement of possible liabilities already occurred.

Relations with CONSOB

On July 20, 2016, CONSOB approved the Information Statement on the admission to listing on the MTA, organized and managed by Borsa Italiana S.p.A., of 71,602,410 ordinary shares related to the share capital increase connected with the acquisition of the Cogemat Group.

Redemption of the building in Porcari

In July 2016, the building in Porcari, Via Luigi Boccherini no. 39, was purchased. This was previously leased from Ing Lease Italia S.p.A. and it was purchased at a redemption price of Euro 701 thousand.

Objection to resolution taken by the Shareholders' Meeting of SNAI S.p.A. on June 9, 2016

Some shareholders (including Punto Quota Holding S.r.l. and Zaffiro Società Semplice that lodged their own list for the appointment of the new Board of Directors of SNAI, then linked to the so-called Majority List, as already notified by the Company on June 15, 2016), with deed notified on September 9, 2016, objected the resolution taken by SNAI Shareholders' Meeting on June 9, 2016 before the Court of Florence. The objection concerned the third issue on the Agenda, regarding the appointment of the members of the Company's Board of Directors (after determining the number of members and related remuneration). The preliminary hearing for appearance is fixed on January 30, 2017.

Meanwhile, the claimants submitted the appeal with request for interim application aimed at obtaining a suspension of the execution of the above-mentioned resolution. The hearing was held on November 8, 2016 and the Judge reserved on the decision. The Company deems that the requests of the plaintiffs are groundless and has conferred mandate to its lawyers to see for the defence thereof.

Co-optation of a Director

The Board of Directors of SNAI S.p.A. met on September 13, 2016 and resolved on the appointment by co-optation, of Mr. Maurizio Leo, as non-executive member of the Board of Directors, as per Art. 2386 of the Italian Civil Code, to replace the resigning Mr. Gabriele Del Torchio.

Mr. Maurizio Leo, who will remain in office, as independent Director, until the next Shareholders' Meeting, has the requirements for the office of Director, as set out by laws and regulations in force applied to listed companies.

Subsequent events

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



Condensed Consolidated Interim Financial Statements as of September 30, 2016

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

Milan, November 14, 2016

SNAI Group - Consolidated Statement of Comprehensive Income

<i>thousands of Euro</i>	Note	First nine months	
		2016	2015
Revenues from sales and services	5	653,315	374,224
Other revenue and income	6	8,776	29,081
Change in inventory of finished and semi-finished products		0	(16)
Raw materials and consumables	7	(590)	(412)
Costs for services and use of third party assets	8	(480,946)	(267,072)
Costs of personnel	9	(44,292)	(28,843)
Other operating costs	10	(41,847)	(30,432)
Capitalised internal construction costs	11	675	675
Earnings before interest, tax, depreciation and amortisation		95,091	77,205
Amortisation and depreciation	12	(41,646)	(41,945)
Other provisions	29	(174)	(2,149)
Earnings before interest and taxes		53,271	33,111
Gains and expenses from shareholdings		(5)	55
Financial income		638	948
Financial expenses		(47,331)	(43,279)
Total financial income and expenses	13	(46,698)	(42,276)
PROFIT/(LOSS) BEFORE TAXES		6,573	(9,165)
Income tax	14	(14,110)	(4,834)
Loss for the period		(7,537)	(13,999)
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes		0	(32)
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0	(32)
Adjustment to cash flow hedge		0	1,593
Profit/(Loss) from available-for-sale financial assets		17	(110)
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes		17	1,483
Total profit/(loss) in Statement of Comprehensive Income, after taxes	25	17	1,451
Comprehensive profit (loss) for the period		(7,520)	(12,548)
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		(7,537)	(13,999)
Profit (loss) for the period pertaining to Third parties		0	0
Total profit (loss) for the period pertaining to the Group		(7,520)	(12,548)
Total profit (loss) for the period pertaining to Third Parties		0	0
Basic earnings (loss) per share in Euro	26	(0.04)	(0.12)
Diluted earnings (loss) per share in Euro	26	(0.04)	(0.12)

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

SNAI Group - Consolidated Statement of Comprehensive Income

<i>thousands of Euro</i>	Note	III quarter	
		2016	2015
Revenues from sales and services	5	216,391	120,089
Other revenue and income	6	3,283	405
Change in inventory of finished and semi-finished products		0	0
Raw materials and consumables	7	(174)	(111)
Costs for services and use of third party assets	8	(162,208)	(85,406)
Costs of personnel	9	(13,826)	(9,087)
Other operating costs	10	(14,963)	(10,921)
Capitalised internal construction costs	11	225	225
Earnings before interest, tax, depreciation and amortisation		28,728	15,194
Amortisation and depreciation	12	(14,405)	(13,327)
Other provisions	29	(24)	(2,238)
Earnings before interest and taxes		14,299	(371)
Gains and expenses from shareholdings		0	0
Financial income		221	282
Financial expenses		(15,776)	(15,033)
Total financial income and expenses	13	(15,555)	(14,751)
PROFIT/(LOSS) BEFORE TAXES		(1,256)	(15,122)
Income tax	14	(5,885)	789
Loss for the period		(7,141)	(14,333)
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes		0	(32)
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes		0	(32)
Adjustment to cash flow hedge		0	531
Profit/(Loss) from available-for-sale financial assets		0	0
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes		0	531
Total profit/(loss) in Statement of Comprehensive Income, after taxes	25	0	499
Comprehensive profit (loss) for the period		(7,141)	(13,834)
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		(7,141)	(14,333)
Profit (loss) for the period pertaining to Third parties		0	0
Total profit (loss) for the period pertaining to the Group		(7,141)	(13,834)
Total profit (loss) for the period pertaining to Third Parties		0	0
Basic earnings (loss) per share in Euro	26	(0.04)	(0.12)
Diluted earnings (loss) per share in Euro	26	(0.04)	(0.12)

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

SNAI Group - Consolidated statement of financial position

<i>thousands of Euro</i>	Note	September 30, 2016	December 31, 2015 Restated (*)
ASSETS			
Non-current assets			
Property, plant and equipment owned		137,175	144,207
Property, plant and equipment finance lease		46	2,936
Total property, plant and equipment	15	137,221	147,143
Goodwill		306,472	306,472
Other intangible assets		150,350	166,057
Total intangible assets	16	456,822	472,529
Investments accounted under the equity method		2,492	2,490
Other investments		46	50
Total investments	17	2,538	2,540
Deferred tax assets	18	18,519	29,325
Other non-financial assets	21	3,121	3,304
Financial Assets	22	1,778	1,773
Total non-current assets		619,999	656,614
Current assets			
Inventory	19	518	641
Trade receivables	20	133,459	136,169
Other assets	21	47,299	55,255
Current financial assets	22	16,811	21,432
Cash and cash equivalents	23	141,565	107,588
Total current assets		339,652	321,085
TOTAL ASSETS		959,651	977,699
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to equity holders of the Parent Company			
Share capital		97,982	97,982
Reserves		37,660	91,874
Loss for the period		(7,537)	(54,231)
Total shareholders' equity attributable to equity holders of the Parent Company		128,105	135,625
Shareholders' equity attributable to non-controlling interests			
Total shareholders' equity	24	128,105	135,625
Non-current liabilities			
Employee termination indemnities	27	8,526	8,641
Non-current financial liabilities	28	575,960	573,101
Provisions for risks and charges	29	20,302	27,099
Sundry payables and other non-current liabilities	30	5,373	6,264
Total non-current liabilities		610,161	615,105
Current liabilities			
Trade payables	31	37,856	42,365
Other liabilities	30	167,853	181,040
Current financial liabilities		15,676	3,564
Current portion of long-term loans		0	0
Total financial liabilities	28	15,676	3,564
Total current liabilities		221,385	226,969
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		959,651	977,699

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

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

SNAI Group: Interim Management Report as of September 30, 2016 - Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euro)

	Notes	Share capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Reserve for the remeasurement of employee termination indemnities (IAS 19)	Treasury share reserve	Profit/(loss) carried forward	Profit (loss) for the year	Total Shareholders' Equity - Group	Total Shareholders' Equity - Third Parties	Total Shareholders' Equity
Balance as of January 1, 2015		60,749	1,559	13,946	(2,124)	(720)	0	773	(26,082)	48,101	0	48,101
Profit/(loss) for fiscal year 2014			(1,559)	(13,946)				(10,577)	26,082	0		0
Profit/(loss) for the period	24				1,593	0	(110)	(32)	(13,999)	(13,999)		(13,999)
Other comprehensive profit/(loss)										1,451		1,451
Net amounts as of September 30, 2015		0	0	0	1,593	0	(110)	(32)	(13,999)	(12,548)		(12,548)
Balance as of September 30, 2015		60,749	0	0	(531)	(720)	(110)	(9,836)	(13,999)	35,553	0	35,553
	Note	Share capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Reserve for the remeasurement of employee termination indemnities (IAS 19)	Treasury share reserve	Profit/(loss) carried forward	Profit (loss) for the year	Total Shareholders' Equity - Group	Total Shareholders' Equity - Third Parties	Total Shareholders' Equity
Balance as of January 1, 2016		97,982	0	102,627	0	(849)	(111)	(9,793)	(54,231)	135,625	0	135,625
Profit/(loss) for fiscal year 2015	24		0	(45,677)				(8,554)	54,231	0		0
Profit/(loss) for the period	25				0		0	17	(7,537)	(7,537)		(7,537)
Other comprehensive profit/(loss)										17		17
Net amounts as of September 30, 2016		0	0	0	0	0	0	17	(7,537)	(7,520)		(7,520)
Balance as of September 30, 2016		97,982	0	56,950	0	(849)	(111)	(18,330)	(7,537)	128,105	0	128,105

SNAI Group - Consolidated Cash Flow Statement

<i>thousands of Euro</i>	Note	September 30, 2016	September 30, 2015
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) for the period attributable to equity holders of the Parent Company		(7,537)	(13,999)
Profit (loss) for the period attributable to equity non-controlling interests		0	0
Amortisation and depreciation	12	41,646	41,945
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	18	10,806	3,122
Change in provision for risks	29	(6,800)	2,048
(Capital gains) capital losses from non-current assets (including shareholdings)		235	100
Portion of earnings pertaining to shareholdings measured using the equity method (-)	13	5	(55)
Net change in sundry non-current trade assets and liabilities and other changes	21-30	(708)	(365)
Net change in current trade assets and liabilities and other changes	19-20-21- 30-31	(6,909)	3,225
Net change in post-employment benefits	27	(115)	1,062
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES (A)		30,623	37,083
B. CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment (-)	15	(4,881)	(8,377)
Investments in intangible assets (-)	16	(11,859)	(9,741)
Acquisition of a business unit	4	0	(1,300)
Acquisition of shareholdings in subsidiaries, net of acquired cash and cash equivalents	18	0	(84)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		490	93
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		(16,250)	(19,409)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Change in financial receivables and other financial assets	22	4,633	(113,126)
Change in financial liabilities	28	14,971	125,207
Repayment of financing	28	0	(20,000)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		19,604	(7,919)
D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)			
E. TOTAL CASH FLOW (A+B+C+D)		33,977	9,755
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)		23	141,565
		141,565	78,384

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

CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES
AT THE BEGINNING 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	141,565	78,384
Bank overdrafts		
Discontinued operations		
	141,565	78,384

Interest expense paid in the first nine months of 2016 amounted to around Euro 26,021 thousand (Euro 23,000 thousand in 2015).

Taxes paid in the first nine months of 2016 amounted to around Euro 539 thousand (Euro 2,881 thousand in the first nine months of 2015).

INTERIM MANAGEMENT REPORT AS OF SEPTEMBER 30, 2016

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Relevant accounting standards

Scope of consolidation

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 September 30, 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. Sole Quotaholder
- Teleippica S.r.l. Sole Quotaholder
- SNAI Rete Italia S.r.l. Sole Quotaholder
- Finscom S.r.l.
- Cogemat S.p.A.
- Cogetech S.p.A.
- Cogetech Gaming S.r.l.
- Azzurro Gaming S.p.A.
- Fondazione IziLove Foundation

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

Compared to September 30, 2015, the scope of consolidation has changed by reason of the fact that, on November 19, 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 100% of the share capital of Azzurro Gaming S.p.A.

The comparability of the consolidated financial statements as of September 30, 2016, with those of the previous year is therefore affected by the aforesaid business combination.

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

The Condensed Consolidated Interim Financial Statements as of September 30, 2016 were approved by the directors of the Parent Company at the board of directors' meeting held on November 14, 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. Conversely, gaming machines report higher wagers in the first and fourth quarter of the year.

1.1. Directors' assessments on 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 particular reference to the financial statements ended September 30, 2016, the Directors highlight that the Group reported a net loss of Euro 7.5 million. Net financial indebtedness, equal to Euro 450.1 million, is mainly composed of bond loans issued and subscribed on December 4, 2013 (Euro 320 million and Euro 160 million) and on July 28, 2015 (Euro 110 million), to be repaid in 2018.

The Directors highlight that the results for the nine months of 2016, were a net loss of Euro 7.5 million, compared to a net loss of Euro 14 million for the previous period, including the positive effect of the Barcrest transaction recognised in the first quarter of 2015. The Directors also report that results are better than expected, mainly due to the following factors: i) revenues and margins resulting from sports betting and on-line games, due to higher wagers, ii) revenues and margins of the AWP business thanks to a timelier replacement of cards, which in reality mitigated the impact of the increase in the PREU; iii) reduction of certain overheads due to the merger with the Cogemat Group.

Moreover, Directors reported that the merger with the Cogemat Group, completed on November 19, 2015, in 2015 allowed for the increase in share capital in the amount of around Euro 37.2 million, and more generally the increase in Shareholders' Equity, in the amount of Euro 140 million. The net financial indebtedness as of September 30, 2016, was equal to Euro 128.1 million, as compared to Euro 135.6 million as of December 31, 2015. In addition to the effects on Shareholders' Equity and indebtedness, Directors underline that the three extraordinary transactions, which characterised the year 2015 (Cogemat, SIS and 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 throughout Italy) and a total network with an additional 185 shops and corners of the network of the Cogemat Group, both at the date of operations;
- 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 betting and Gaming Machines and
- a minor portion of EBITDA, which is affected by the oscillation of payout on betting.

Directors also underline that the loan transaction entered on November 7, 2016 with the issue of Euro 570 million of bonds, divided in a fixed rate tranche of Euro 320 million (coupon equal to 6.375%, maturity term 2021) and a variable rate tranche of Euro 250 million (coupon equal to three-month Euribor, with 0% floor +6%, maturity term 2021), as from December 15, 2016, and after the repayment of the current outstanding High Yield bonds, will allow for:

- significantly reducing the cost of financial expenses borne by SNAI, with a yearly saving (at current rates) of around Euro 17 million;
- extending the maturity term of bonds issued from 2018 to November 2021.

Lastly, Directors recall that the merger by incorporation into SNAI of the companies of the former Cogemat Group, occurred on November 1, will help, in the short term already, to further increase the Group operating effectiveness, thus reducing the impact of corporate and concession costs.

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

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

- Renewal of concessions for the network of sales points for betting, with expiration date of June 30, 2016. Given the non-publication of the selection procedure and the expiry of concessions, with notice no. 54917 dated June 9, 2016, the Italian gaming regulatory authority (the *Agenzia delle Dogane e dei Monopoli* or ADM) - in order to ensure the continuation of the collection of public gaming in the greater interests of public order, taxation and employment protection - approved the continuation of this activity until the publication of the tender for all participants that formally took part in this tender by June 30, 2016, while supporting this commitment with special guarantees (or the extension of those already in force) for all the obligations created on a continuous basis for the entire duration of the concession (June 30, 2017) and for the period of compulsory management, as well as for an additional one year term (i.e. June 30, 2018). SNAI S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l., formally and promptly expressed their willingness to carry on wagers through the completion and deposit of the special scheme, together with the required guarantees. The Company aims at renewing its concessions in the field of bets as this plays an important role in its business. Based on information available today on the characteristics of the tender related to betting, as set out by 2016 Stability Law, the Company deems that the Group will be eligible to obtain the renewal of the concessions currently managed.

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

- The SNAI Group's capacity to generate adequate cash flows. Directors deem that SNAI's consolidated Business Plan (approved on March 12, 2015) contains forecasts that are no longer updated by reason of the merger of the Cogemat Group into the SNAI Group and the new macro-economic and regulatory context in which the SNAI Group operates. While compiling the new consolidated Business Plan, on April 21, 2016 the Directors approved the guidelines of corporate estimates for 2016-2019 ("2016-2019 Guidelines"), based on which the main evaluations were made for the 2015 financial statements. The aforesaid Guidelines were subsequently updated on September 23, 2016, to reflect the changed operating framework, with special reference to the postponement of the assignment procedure of the licences related to Betting. The new Business plan is currently being prepared. Fine-tuning is required for estimates related to important scenarios, still to be defined, like (i) estimates on timing and investments connected with the tender for new concessions on the Betting tender and (ii) effects resulting from

the possible reorganization and reduction of workforce in SNAI S.p.A. following the merger with the Cogemat Group, as per negotiations currently in place with Trade Unions.

As things stand, 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. 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, and will reduce the tax burden in the event of particularly unfavourable payouts. 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 SIS/Finscom sales points.

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 nine-month 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 Consolidated Interim Financial Statements as of September 30, 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements do not disclose all information required for the drafting of the annual consolidated financial statements. For this reason the Condensed Consolidated Interim Financial Statements should be read together with the consolidated financial statements as of December 31, 2015.

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

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

The Condensed Consolidated Interim Financial Statements as of September 30, 2016 of the SNAI Group are expressed in thousands of Euro, unless stated otherwise.

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

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

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

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

The amendments to IFRS 11 envisage that a joint operator, who reports the acquisition of an interest in a joint control contract in which the activity of the joint operation constitutes a business, should apply the principles as defined in IFRS 3 on the basis of the business combinations guidance. The amendments clarify that, in the event a joint control is maintained, the interest previously held in a joint-control agreement shall not be re-measured upon the acquisition of another interest. Moreover, for clarification purposes, the following was excluded from 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. No impact on the Group was reported for the application of these amendments.

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

These amendments clarify the principle, included in IAS 16 and IAS 38, 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. No impact on the Group is expected while applying these amendments, given that the Group does not use revenue-based methods for the amortisation/depreciation of non-current assets.

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

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

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

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

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

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

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

Annual cycle of IFRS improvements - 2012-2014

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

IFRS 5: Guideline to changes in methods of disposal;

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

IAS 19: Clarification on the discount rate;

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

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

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Application of the Exception to Consolidation

The amendment clarifies the critical issues resulting from the application of the exception to consolidation envisaged for the investment entities. The new standards will be applied after the endorsement of amendments to the standards by the European Union, which was still missing at the reporting date of these Condensed Consolidated Interim Financial Statements.

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

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

IFRS 9 (Financial Instruments)

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

IFRS 16 (Leases)

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

Clarification to IFRS 15 (Revenue from Contracts with Customers)

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

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

Condensed Consolidated Statement of Financial Position

The format adopted for the Statement of financial position 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.

Condensed Consolidated Statement of Comprehensive Income

The condensed consolidated statement of comprehensive income reports the items by type, as this is considered more consistent with the Group's activities.

Condensed Consolidated Statement of Changes in Shareholders' Equity

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

Condensed Consolidated Cash Flow Statement

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

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

In particular, with respect to disclosures in the Condensed Consolidated Interim Financial Statements as of September 30, 2015, the following items were reclassified to improve disclosure of items in the Income Statement:

- from item "Revenue from sales and services" to item "Other revenue and income", in the amount of Euro 184 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 57 thousand, related to the urban waste tax.

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

2. Agreements for services licensed

The SNAI Group operates 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	Expiry date
SNAI S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of June 18, 1931 and following amendments and supplements, as well as related activities and functions	March 2022
SNAI S.p.A.	1 Concession Code 4311	Operation of public gaming 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 the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012.	June 2016
COGETECH S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Art. 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of June 18, 1931 and following amendments and supplements, as well as related activities and functions	March 2022
COGETECH S.p.A.	1 Concession Code 4304	Operation of public gaming 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	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- octies, of the Law Decree no. 16 of March 2, 2012, converted as amended into Law no. 44 of April 26, 2012.	June 2016

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

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

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

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

extension of those already in force) for all the obligations created on a continuous basis for the entire duration of the concession (June 30, 2017) and for the period of compulsory management, as well as for an additional one year term (i.e. June 30, 2018).

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

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 of SNAI S.p.A. concerning the non-compliance of certain capital ratios. Supported by (i) the fact that as of December 31, 2015 the ratio deemed as the most important (net indebtedness/shareholders’ equity ratio) was complied with, (ii) a legal opinion which assessed that the risk of a expiration proceeding of concessions is unlikely (iii) the written confirmation by ADM that the proceeding started is only for monitoring purposes, the Directors believe that there are no risks resulting from the non-compliance of the capital ratios that might affect the maintenance or renewal of concessions.

3. Operating segments

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

The Group operates in the following main segments:

- Betting Collection Services;
- Racecourse Management;
- 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 S.p.A., Cogetech S.p.A. and Cogetech Gaming S.r.l. are the direct concession holder.

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

(thousands of Euro)

	Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	September 30, 2016	December 31, 2015 Restated	September 30, 2016	December 31, 2015 Restated	September 30, 2016	December 31, 2015 Restated	September 30, 2016	December 31, 2015 Restated	September 30, 2016	December 31, 2015 Restated	September 30, 2016	December 31, 2015 Restated	September 30, 2016	December 31, 2015 Restated
Sector assets	6,811	7,287	5,608	5,416	341,369	332,935	3,446	3,353	1,282	1,776	0	0	358,516	350,767
Property, plant and equipment and intangible assets	13,367	13,630	101,831	103,831	462,388	485,480	3,904	3,225	0	0	0	0	581,490	606,166
Unallocated property, plant and equipment and intangible assets													12,553	13,506
Shareholdings in associates	0	0	2,492	2,490	0	0	0	0	46	50	0	0	2,538	2,540
Unallocated assets													4,554	4,720
Total Assets	20,178	20,917	109,931	111,737	803,757	818,415	7,350	6,578	1,328	1,826	0	0	959,651	977,699
Sector liabilities	6,787	6,692	6,951	7,355	791,130	801,096	2,766	2,645	436	703	0	0	808,070	818,491
Unallocated liabilities													23,476	23,583
Total Liabilities	6,787	6,692	6,951	7,355	791,130	801,096	2,766	2,645	436	703	0	0	831,546	842,074
Investments:														
Property, plant and equipment and intangible assets	513	1,586	875	5,384	12,301	191,097	1,547	545	0	0	0	0	15,236	198,612
Unallocated property, plant and equipment and intangible assets													1,504	2,943

First nine months of 2016

INCOME STATEMENT BY BUSINESS SEGMENT

(thousands of Euro)

	Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	First nine months of 2016	First nine months of 2015	First nine months of 2016	First nine months of 2015	First nine months of 2016	First nine months of 2015	First nine months of 2016	First nine months of 2015	First nine months of 2016	First nine months of 2015	First nine months of 2016	First nine months of 2015	First nine months of 2016	First nine months of 2015
Sector revenues	11,223	9,718	6,345	7,406	637,356	379,124	6,859	6,861	308	196	0	0	662,091	403,305
Inter-sector revenues	1,575	146	126	195	3	5	2,381	2,242	545	407	(4,630)	(2,995)	0	0
Results of operations	4,715	3,908	(4,670)	(4,464)	52,606	32,365	822	838	(202)	464	0	0	53,271	33,111
Quotas of results of operations pertaining to shareholdings	0	0	2	95	0	0	0	0	(7)	(40)	0	0	(5)	55
Financial (expenses) and income	(169)	(39)	(17)	(26)	(46,496)	(42,177)	(11)	(26)	0	(63)	0	0	(46,693)	(42,331)
Income tax													(14,110)	(4,834)
Profit/(loss) for the period													(7,537)	(13,999)
The results of operations include: Amortisation and depreciation	(576)	(630)	(2,881)	(2,902)	(37,320)	(37,618)	(868)	(793)	(1)	(2)	0	0	(41,646)	(41,945)

QIII 2016

INCOME STATEMENT BY BUSINESS SEGMENT

(thousands of Euro)

	Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	QIII 2016	QIII 2015	QIII 2016	QIII 2015	QIII 2016	QIII 2015	QIII 2016	QIII 2015	QIII 2016	QIII 2015	QIII 2016	QIII 2015	QIII 2016	QIII 2015
Sector revenues	3,399	3,010	1,973	2,055	211,975	113,058	2,288	2,285	39	86	0	0	219,674	120,494
Inter-sector revenues	646	67	(14)	75	0	1	794	746	175	149	(1,601)	(1,038)	0	0
Results of operations	1,465	860	(1,643)	(1,800)	15,110	(254)	384	414	(1,017)	409	0	0	14,299	(371)
Quotas of results of operations pertaining to shareholdings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial (expenses) and income	(58)	(25)	(6)	(9)	(15,486)	(14,708)	(5)	(3)	0	(6)	0	0	(15,555)	14,751
Income tax													(5,885)	789
Profit/(loss) for the period													(7,141)	14,333
The results of operations include: Amortisation and depreciation	(203)	(351)	(962)	(992)	(12,953)	(11,729)	(287)	(254)	0	(1)	0	0	(14,405)	13,327

The following is highlighted in the first nine months of 2016:

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

4. Business combination

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

On June 23, 2016, ADM informed Cogetech S.p.A. of the amount due by the latter for consistency assessments of the gaming systems and machines VLT for the 2013-2015 three-year period, equal to Euro 439 thousand. On September 12, 2016, Cogetech S.p.A. required to review the calculation of charges related to the aforesaid assessments. ADM upheld the objections highlighted by Cogetech S.p.A. and modified the amount in Euro 371 thousand.

Therefore, goodwill recorded as of December 31, 2015 was adjusted by Euro 269 thousand, net of the related tax effect. For further details, see Note 16.

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

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

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

With respect to this acquisition, the fair value of assets acquired and liabilities assumed, as well as the residual value allocated to goodwill, are still not final at the reporting date of the Condensed Consolidated Interim Financial Statements as of September 30, 2016.

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

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as of September 30, 2015.

5. Revenues from sales and services

The amount of revenues from sales and services in the first nine months of 2016 was equal to Euro 653,315 thousand (revenues in the first nine months of 2016 include the contribution of the Cogemat Group for Euro 289,480 thousand) versus Euro 374,224 thousand in the first nine months of 2015, and is detailed below:

III quarter			(thousands of Euro)	Nine months		
2016	2015	Change		2016	2015	Change
29,511	22,186	7,325	Net revenues from the collection of fixed-odds sports and horse racing betting	98,115	73,212	24,903
3,738	3,613	125	Revenues from totalisator, national horse racing/sports forecast bets	13,646	12,780	866
160,874	73,787	87,087	Revenues from Gaming Machines	468,178	222,878	245,300
5,126	4,346	780	Net revenues from on-line games (Skill/Casino/Bingo)	16,475	13,316	3,159
963	794	169	Revenues from betting collection services	3,383	2,743	640
8,669	8,377	292	Revenues from virtual events	29,604	26,026	3,578
695	706	(11)	Revenues from virtual event services	2,190	2,278	(88)
647	720	(73)	Revenues from commissions	2,418	2,378	40
941	1,110	(169)	Revenues from service and assistance contracts	3,037	3,472	(435)
1,208	1,291	(83)	Revenues from the operation of betting services at racecourses	3,852	5,303	(1,451)
314	310	4	Management of racecourse and real estate properties	944	920	24
2,465	2,486	(21)	Revenues from television services and related services	7,502	7,351	151
1,240	363	877	Other services and sales to third parties	3,971	1,567	2,404
216,391	120,089	96,302	Total	653,315	374,224	279,091

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

III quarter			Nine months	
2016	2015	(thousands of Euro)	2016	2015
212,702	146,369	Turnover from Fixed-odds Sports Betting	720,185	503,971
(168)	(117)	Reimbursement of Fixed-odds Sports Betting	(407)	(404)
(176,805)	(119,196)	Winnings of Fixed-odds Sports Betting	(600,911)	(412,836)
(6,906)	(5,464)	Single Tax on Fixed-odds Sports	(22,876)	(19,296)
28,823	21,592	Net Revenues from the collection of Fixed-odds Sports Betting	95,991	71,435
9,962	7,253	Turnover from Fixed-odds Horse Racing Bets and Reference Horse Racing Bets	30,602	22,072
(59)	(45)	Reimbursements of Fixed-odds Horse Racing and Reference Horse Racing	(208)	(125)
(7,994)	(5,723)	Winnings on Fixed-odds Horse Racing and Reference Horse Racing	(24,461)	(17,460)
(402)	(293)	Single Tax on Fixed-odds Horse Racing and Reference Horse Racing	(1,253)	(891)
(819)	(598)	Taxation on Horse Racing	(2,556)	(1,819)
688	594	Net Revenues from the collection of Fixed-odds Horse Racing Betting	2,124	1,777
29,511	22,186	Total net Revenues from the collection of Fixed-odds Sports and Horse Racing Betting	98,115	73,212

Net revenues from sports betting increased, compared to amounts reported for the first nine months of the previous year, due to higher wagers resulting from the acquisition of the Cogemat Group, the re-opening of the sales points

owned by the companies Finscom S.r.l. and S.I.S. S.r.l. that were partially closed in the first nine months of the previous year, as well as the growth in the on-line gaming segment, partially offset by a higher payout. For the first nine months of 2016, the payout on sports betting, including the amounts recognised as bonuses, amounted to approximately 83.5% compared to 82% in the same period of previous year. The negative impact on revenues, resulting from the increase in payout was mitigated by the new calculation mechanism of the flat-rate tax, no longer calculated on wagers, but on gross margin. The above-mentioned revenues included Euro 7,749 thousand, which are related to the consolidation of the Cogemat Group.

Revenue from the concessions for the management of the network of the gaming machines (ADI) amounted to a total of Euro 468,178 thousand in the first nine months of 2016 (of which Euro 273,710 thousand, attributable to the consolidation of the Cogemat Group), which is stated inclusive of the compensation granted to third parties in charge of wagers, including costs for VLT platforms. Such costs are explained under the item "Costs for services and the use of third party assets", Note 8. It should be recalled that the concession holders are required to pay to ADM (pursuant to the Law Decree no. 95 of July 6, 2012). Since December 1, 2012, the Customs incorporated the AAMS office, thus becoming ADM, *Agenzia delle Dogane e dei Monopoli* (Customs and Monopoly Agency), an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The receivable, equal to Euro 27,732 thousand, is related to the "Guarantee deposits of gaming machines", paid in the first nine months of 2016 (see Note 21), of which Euro 11,139 thousand related to SNAI S.p.A. and Euro 16,593 thousand related to Cogetech S.p.A. The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved.

Revenues from on-line gaming, equal to Euro 16,475 thousand, include Euro 427 thousand related to the consolidation of the Cogemat Group and are broken down as follows:

III quarter			Nine months	
2016	2015	(thousands of Euro)	2016	2015
210,438	165,937	Remote gaming revenue	653,663	514,194
(203,868)	(160,280)	Remote gaming winnings	(632,462)	(496,790)
(1,444)	(1,311)	Flat-rate tax on remote gaming	(4,726)	(4,088)
5,126	4,346	Total net revenue from remote gaming (Skill/Casino/Bingo)	16,475	13,316

Revenues from virtual events, equal to Euro 29,604 thousand in the first nine months of 2016, include Euro 3,246 thousand related to the consolidation of the Cogemat Group and are broken down as follows:

III quarter			Nine months	
2016	2015	(thousands of Euro)	2016	2015
65,289	61,000	Revenues from virtual events	227,506	192,265
(54,402)	(50,492)	Winnings and reimbursements of virtual events	(190,341)	(159,650)
(2,217)	(2,131)	Flat-rate tax on virtual events	(7,561)	(6,589)
8,669	8,377	Total net revenues from virtual events	29,604	26,026

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

6. Other revenue and income

The other revenue and income item, equal to Euro 8,776 thousand in the first nine months of 2016 (Euro 29,081 thousand in the first nine months of 2015) is broken down as follows:

III quarter				Nine months		
2016	2015	Change	(thousands of Euro)	2016	2015	Change
38	36	2	Lease of assets and chargeback of ancillary expense	109	115	(6)
2,878	162	2,716	Active trading	7,107	28,294	(21,187)
22	22	0	Revenue from compensation and reimbursement for damages	112	25	87
13	13	0	Grants to UNIRE investments fund	40	40	0
22	(14)	36	Capital gain from the sale of assets	33	26	7
22	90	(68)	Revenues from organisation and technology sales	120	171	(51)
288	96	192	Other revenue and income	1,255	410	845
3,283	405	2,878	Total	8,776	29,081	(20,305)

The change in active trading, of Euro 21,187 thousand, is mainly due to the transaction concluded on February 19, 2015 between SNAI S.p.A., on the one side, and the Barcrest Group Limited and The Global Draw Limited, with their subsidiary Scientific Games Corporation, on the other side.

7. Raw materials and consumables

Raw materials and consumables amounted to a total of Euro 590 thousand in the first nine months of 2016 and Euro 174 thousand in the third quarter of 2016 (Euro 412 thousand in the first nine months of 2015 and Euro 111 thousand in the third quarter of 2015), and mainly related to materials used in wagers, technology and the furnishing installed in the new sales points.

8. Costs for services and use of third party assets

Costs for services and use of third party assets amounted to a total of Euro 480,946 thousand in the first nine months of 2016 (Euro 267,072 thousand in the first nine months of 2015), and included Euro 234,681 thousand of the Cogemat Group, and are detailed below:

III quarter				Nine months		
2016	2015	Change	(thousands of Euro)	2016	2015	Change
14,463	11,881	2,582	Betting acceptance management	50,550	44,191	6,359
125,552	56,104	69,448	Gaming Machine services	358,674	169,451	189,223
1,354	1,104	250	On-line games management (Skill/Casino/Bingo)	4,297	3,289	1,008
442	394	48	Bookmakers	1,424	1,287	137
1,294	1,132	162	On-line gaming services	4,238	3,762	476
3,665	3,280	385	Virtual races management costs	12,363	10,652	1,711
292	414	(122)	Management of Horse Racecourse	897	989	(92)
1,790	1,704	86	Television and radio services	5,637	5,520	117
94	96	(2)	Rent of stations	281	288	(7)
1,716	816	900	Consultancy cost and expense reimbursements	5,569	4,808	761
2,418	1,870	548	Utilities and telephone	7,435	5,409	2,026
1,862	2,161	(299)	Equipment repair and maintenance	6,575	6,142	433
1,599	915	684	Advertising and promotion	5,350	2,317	3,033
489	169	320	Installations, logistics and design	1,533	543	990
47	197	(150)	Other personnel costs for collaborations and other services	138	396	(258)
577	401	176	Insurance and guarantees	1,721	1,131	590
50	45	5	Market research	136	166	(30)
327	178	149	Marketing materials	1,018	553	465
1,314	697	617	Rental fees and ancillary charges	4,119	1,202	2,917
658	394	264	Operating leases and other leasing	2,010	964	1,046
349	484	(135)	Directors' fees	1,205	1,149	56
(6)	107	(113)	Independent Auditors' fees	316	507	(191)
102	61	41	Statutory Auditors' fees	309	171	138
61	45	16	Regulation authority and other committee's fees	184	135	49
3	9	(6)	Expense reimbursement to directors and auditors	14	18	(4)
1,696	748	948	Other	4,953	2,032	2,921
162,208	85,406	76,802	Total	480,946	267,072	213,874

In particular, the table shows:

- the betting acceptance management fees granted to the managers of horse race and sports stores and betting corners increased from Euro 44,191 thousand for the first nine months of 2015 to Euro 50,550 thousand for the first nine months of 2016, including Euro 5,672 thousand of the Cogemat Group;
- Gaming machines services (totalling Euro 358,674 thousand, of which Euro 215,803 thousand of the Cogemat Group, compared to Euro 169,451 thousand for the first nine months of 2015) comprise fees paid to third party operators in charge of gaming collection and costs for operating VLT platforms;
- Virtual races management costs (for Euro 12,363 thousand, of which Euro 1,953 thousand of the Cogemat Group, compared to Euro 10,652 thousand for the first nine months of 2015) include the costs related to the operator and the costs for the platform.

The “Other” item mainly comprises 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.

9. Costs of personnel

The costs of personnel totalled Euro 44,292 thousand in the first nine months of 2016, compared to Euro 28,843 thousand in the first nine months of 2015, up by Euro 15,449 thousand (53.6%) primarily due to the merger of the Cogemat Group, the acquisition of Finscom S.r.l. and the costs of personnel of SNAI Rete Italia S.r.l. (business unit, former S.I.S. S.r.l.).

III quarter			(thousands of Euro)	Nine months		
2016	2015	Change		2016	2015	Change
9,295	6,005	3,290	Salaries and wages	30,405	19,583	10,822
2,688	1,849	839	Social security expenses	8,865	6,162	2,703
683	430	253	Accrual to employee termination indemnities	2,134	1,211	923
33	7	26	Costs for personnel training	101	31	70
209	157	52	Expense reimbursement to employees	674	446	228
240	207	33	Meal tickets	733	628	105
678	432	246	Other costs of personnel	1,380	782	598
13,826	9,087	4,739	Total	44,292	28,843	15,449

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

The composition of the employees as of September 30, 2016 is shown in the following table, which highlights a decrease of 84 individuals compared to December 31, 2015, by reason of the transfer of the first business units, within the outsourcing process of directly run agencies, and the block of turnover in SNAI S.p.A. and Cogetech S.p.A.. Compared to September 30, 2015, a significant increase (280 units) was instead recorded, mainly due to the merger of the Cogemat Group and the stabilization of the collaborators of S.I.S. S.r.l., partially offset by the above-mentioned decreases.

As of September 30, 2015		As of December 31, 2015	Increase s for the period	Decreases for the period	As of September 30, 2016	Average n. in period
28	Executives	37	0	8	29	33
863	White collar employees and mid-level managers	1,218	75	149	1,144	1,215
62	Blue-collar workers	62	0	2	60	62
953	* Total Employees	1,317	** 75	159	1,233	*** 1,310

* of whom 199 part-time and 26 on maternity leave

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

*** of whom 325 part-time and 16 on maternity leave

10. Other operating costs

Other operating costs amounted to a total of Euro 41,847 thousand in the first nine months of 2016 (Euro 30,432 thousand in the first nine months of 2015), including Euro 15,577 thousand of the Cogemat Group.

III quarter				Nine months		
2016	2015	Change	(thousands of Euro)	2016	2015	Change
7,109	3,879	3,230	Concessions and licence fees	22,237	11,675	10,562
0	1,515	(1,515)	Stability Law cost	0	4,464	(4,464)
7	10	(3)	Administration fines	91	65	26
1,033	1,012	21	% non-deductible VAT	3,171	3,318	(147)
2,497	2,249	248	Provision for doubtful debts	5,246	5,608	(362)
159	242	(83)	Credit losses	971	794	177
286	149	137	Provision for risks	1,269	308	961
51	21	30	Representation expenses	123	66	57
73	22	51	Membership fees	261	125	136
243	157	86	Other taxes	681	459	222
266	266	0	IMU (real estate tax)	796	796	0
96	70	26	Stationery, consumables and promotional materials	409	145	264
70	31	39	Cost of Environmental and health controls	159	98	61
2,727	1,066	1,661	Losses on settlement of disputes	4,845	2,055	2,790
115	77	38	Capital losses from sale of assets	268	126	142
231	155	76	Other administration and operating costs	1,320	330	990
14,963	10,921	4,042	Total	41,847	30,432	11,415

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

- the concession fee for the legal gaming on gaming machines (ADI) of Euro 16,639 thousand, calculated at 0.30% of the volume wagered and paid to ADM on a bimonthly basis for the related consolidation months, of which Euro 6,683 thousand related to SNAI S.p.A. and Euro 9,956 thousand related to Cogetech S.p.A.;
- the concession fee for the marketing of public gaming concessions on the rights awarded through the call for tenders in 2006 (“Bersani rights”), the rights awarded through the call for tenders in 2008 (“Giorgetti rights”), and the rights awarded through the call for tenders in 2012 (“Monti rights”), in the amount of Euro 4,494 thousand, of which Euro 3,932 thousand related to SNAI S.p.A. and Euro 562 thousand related to Cogetech S.p.A.;
- the concession fee for remote public gaming, in the amount of Euro 599 thousand, of which Euro 562 thousand related to SNAI S.p.A. and Euro 37 thousand related to Cogetech S.p.A.;
- the television licence fees in the amount of Euro 181 thousand.

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

In the first nine months of 2016, an allocation was set aside to the Provision for doubtful debts, in the amount of Euro 5,246 thousand in order to align, with their recoverable value, receivables that arose in prior fiscal years in connection with the Group’s core business operations and which showed, over the course of the year, growing difficulties with regard to their collection.

In the first nine months of 2016, an allocation was set aside to the Provision for risks, in the amount of Euro 1,269 thousand, including Euro 717 thousand for technological upgrading, as provided for by the concession agreement for the building 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 June 18, 1931 and following amendments and supplements, as well as Euro 513 thousand for future charges related to costs for upgrading of the fire prevention systems.

The “% non-deductible VAT”, equal to Euro 3,171 thousand, relates to particular operations performed by SNAI S.p.A., Società Trenno S.r.l., SNAI Rete Italia S.r.l. and Finscom S.r.l., which generate, in part, the revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases. The companies SNAI S.p.A., and Società Trenno S.r.l. opted for separate activity for VAT purposes, which means that, for purchases related to activities that generate taxable transactions, the VAT is deductible, while the VAT on purchases that generate exempt transactions is entirely non-deductible.

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 mainly attributable to the Barcrest issue.

11. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 675 thousand in the first nine months of 2016 (Euro 675 thousand in the first nine months of 2015) are essentially related to software generated internally for:

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

12. Amortisation and depreciation

Amortisation, depreciation and write-downs amounted to a total of Euro 41,646 thousand in the first nine months of 2016 (Euro 41,945 thousand in the first nine months of 2015) and are detailed below:

2016	III quarter		(thousands of Euro)	Nine months		
	2015	Change		2016	2015	Change
9,585	9,001	584	Amortisation of intangible assets	27,296	29,042	(1,746)
4,765	4,226	539	Depreciation of property, plant and equipment	14,295	12,656	1,639
55	100	(45)	Write-downs	55	247	(192)
14,405	13,327	1,078	Total	41,646	41,945	(299)

Amortisation and depreciation related to the Cogemat Group for the first nine months of 2016 amounted to Euro 8,343 thousand and Euro 3,197 thousand, for intangible assets and property, plant and equipment, respectively.

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

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

13. Financial income and expenses

In the first nine months of 2016, net financial expenses amounted to Euro 46,698 thousand, up by Euro 4,422 thousand over the first nine months of 2015, as detailed below:

2016	III quarter		(thousands of Euro)	Nine months		
	2015	Change		2016	2015	Change
Gains and expenses from shareholdings						
0	0	0	Write-up/(write-down) Alfea S.p.A.	0	121	(121)
0	0	0	Write-up/(write-down) Hippogroup Roma Capannelle S.p.A.	2	(26)	28
0	0	0	Write-up/(write-down) Solar S.A.	(3)	(40)	37
0	0	0	Write-up/(write-down) shareholding in Obiettivo 2016	(4)	0	(4)
0	0	0		(5)	55	(60)
Financial income						
3	2	1	Foreign exchange rate gains	12	6	6
97	223	(126)	Bank interest income	444	793	(349)
121	57	64	Other interest income	182	149	33
221	282	(61)		638	948	(310)
Financial expenses						
13,887	13,055	832	Interest expense on bond loan	41,894	37,492	4,402
27	25	2	Other interest expense	109	121	(12)
0	0	0	Bank interest expense	3	1	2
1	1	0	Foreign exchange rate losses	8	20	(12)
127	37	90	Interest expense and ancillary charges on leasing	182	174	8
40	17	23	Interest expense on employee termination indemnities	121	47	74
1,694	1,898	(204)	Other financial expenses	5,014	5,424	(410)
15,776	15,033	743		47,331	43,279	4,052
(15,555)	(14,751)	(804)	Total	(46,698)	(42,276)	(4,422)

Financial income includes interest income accrued on bank accounts in the amount of Euro 444 thousand and other interest income for Euro 182 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 41,894 thousand, of which Euro 2,901 thousand can be attributed to ancillary costs. These charges are related, to bond loans issued on December 4, 2013 for Euro 480,000 thousand, in the amount of Euro 2,240 thousand, and, in the amount of Euro 661 thousand, to the bond loan issued on July 28, 2015 for an aggregate amount of Euro 110 thousand (for further details on bond loans, reference is made to Note 28);
- interest expense calculated on financial leasing in the amount of Euro 24 thousand and ancillary charges on leasing for Euro 158 thousand, including non-deductible VAT;
- other financial expenses, including Euro 2,882 thousand of commissions on bank guarantees, Euro 712 thousand of commissions payable on revolving credit line and Euro 1,146 thousand of bank charges.

14. Income tax

Current income taxes, inclusive of IRES tax and IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded in the first nine months of 2016, show a negative balance of Euro 14,110 thousand.

III quarter 2016	III quarter 2015	(thousands of Euro)	First nine months of 2016	First nine months of 2015
200	(183)	IRES	611	0
857	113	IRAP	2,676	1,764
1,187	1,395	Accrual to provision for deferred tax liabilities	3,562	4,007
(293)	(44)	Use of provision for deferred tax liabilities	(893)	(133)
(3,549)	(1,553)	Deferred tax assets	(4,573)	(2,330)
7,483	(517)	Reversal of deferred tax assets	12,734	1,590
0	0	IRES / IRAP for prior years	(7)	(64)
5,885	(789)	Total	14,110	4,834

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

		First nine months of 2016		First nine months of 2015
Profit before tax		6,573		(9,165)
Theoretical IRES tax charge	27.50%	(1,808)	27.50%	2,520
Theoretical IRAP tax charge	5.12%	(337)	5.12%	469
Total theoretical tax expense		(2,144)		2,990
Fines, penalties and other taxes		(342)		(192)
Other permanent non-deductible costs		(14,669)		(5,253)
Other permanent tax deductions		1,382		468
		(15,773)		(1,987)
Permanent differences for IRAP tax purposes (including employees)		1,656		(2,911)
		(14,117)		(4,898)
Tax and duties for prior year		7		64
Actual tax expense	-214.67%	(14,110)	52.75%	(4,834)

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 29 for further details on tax disputes.

Notes to the main items of the condensed consolidated statement of financial position

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

15. Property, plant and equipment

Property, plant and equipment as of September 30, 2016 amounted to Euro 137,221 thousand (Euro 147,143 thousand). The change for the period is due to the combined effect of the depreciation charge for the period (Euro 14,295 thousand), investments (Euro 4,881 thousand), impairment write-downs (Euro 55 thousand), disposals, less accumulated depreciation (Euro 457 thousand) and reclassifications (Euro 4 thousand).

(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 of December 31, 2015	146,630	213,866	8,684	43,728	59	412,967
Business combination						0
Reclassification	0	(11)	(7)	22	0	4
Other increases	590	3,818	44	224	205	4,881
Decreases	0	(5,030)	(2)	(1,077)	(16)	(6,125)
Balance as of September 30, 2016	147,220	212,643	8,719	42,897	248	411,727

Depreciation and impairment losses

Balance as of December 31, 2015	40,096	180,666	8,100	36,962	0	265,824
Business combination						0
Depreciation for the period	2,407	9,955	57	1,876		14,295
Write-downs	0	55		0		55
Disposals	0	(4,661)	(2)	(1,005)		(5,668)
Reclassification	0	1,071	(964)	(161)	54	0
Balance as of September 30, 2016	42,503	187,086	7,191	37,672	54	274,506

Carrying amounts

As of December 31, 2015	106,534	33,200	584	6,766	59	147,143
As of September 30, 2016	104,717	25,557	1,528	5,225	194	137,221

The "Plant and equipment" item 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.

Increases as of September 30, 2016, in the amount of Euro 4,881 thousand mainly relate to the following:

- the "Land and buildings" item, in the amount of Euro 590 thousand, is as follows: Euro 193 thousand related to works at the Montecatini Terme racetrack, Euro 283 thousand primarily related to consolidation and improvement to the structures at the Ippodromo del Galoppo, Euro 62 thousand for remediation works in the Milan ground, Euro 47 thousand for works at the racetrack "La Maura", Euro 5 thousand related to works on the building of the registered office;
- the "Plant and equipment" item, in the amount of Euro 3,818 thousand, is as follows: Euro 820 thousand related to technology loaned free of charge to the sales points; Euro 152 thousand to electro-thermal and electric plant; Euro 697 thousand to AWP machines and replacement of related cards; Euro 120 thousand to radio links; Euro 1,359 thousand to implementation of a directing plant of Teleippica S.r.l.; Euro 34 thousand to plant projection machines; Euro 221 thousand for betting technology and equipment; Euro 62 thousand for equipment and technology related to VLTs and Euro 353 thousand to purchases of equipment (servers, printers, PCs and monitors) and other plant and equipment necessary for the performance of the various business operations of the Group companies;
- the "Industrial and commercial equipment" item, totalling Euro 44 thousand, includes: Euro 18 thousand for the fence in the training centre, Euro 16 thousand for the building of gazebos and Euro 10 thousand for other assets;
- the "other assets" item, amounting to Euro 224 thousand is as follows: Euro 160 thousand to furnishings and fittings provided free of charge to the betting shops and to shops managed directly by the Group, Euro 51 thousand to head office furnishings and fittings and Euro 13 thousand to other assets.

- “Assets under construction and advances”, amounting to Euro 205 thousand, including Euro 190 thousand for works 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 plants, machinery, equipment and vehicles, which will expire at various dates by April 30, 2018. These agreements include redemption and/or extension clauses.

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

(thousands of Euro)	Total
Total commitments as of September 30, 2016	111
of which	
Instalments due within 12 months	81
Instalments due between 1 to 5 years	30
Instalments due after 5 years	-
Purchase option	24

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

16. Intangible assets

Intangible assets as of September 30, 2016 amounted to Euro 456,822 thousand (Euro 472,529 thousand as of December 31, 2015). The change is mainly due to the combined effect of amortisation for the period amounting to Euro 27,296 thousand, net disposals (Euro 268 thousand) and additions (Euro 11,859 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 of December 31, 2015	306,546	361,383	25,440	73,155	388	766,912
Business combination						0
Reclassification		11	0	153	(166)	(2)
Other increases		5,031	1,142	3,987	1,699	11,859
Decreases	0	0	0	(1,005)	(208)	(1,213)
Balance as of September 30, 2016	306,546	366,425	26,582	76,290	1,713	777,556

Amortisation and impairment losses

Balance as of December 31, 2015	74	253,478	20,872	19,959	0	294,383
Business combination	0					0
Amortisation for the period	0	20,519	1,424	5,353		27,296
Write-downs		0	0	0		0
Disposals		0	0	(945)		(945)
Reclassification		0	0	0		0
Balance as of September 30, 2016	74	273,997	22,296	24,367	0	320,734

Carrying amounts

As of December 31, 2015	306,472	107,905	4,568	53,196	388	472,529
As of September 30, 2016	306,472	92,428	4,286	51,923	1,713	456,822

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

Investments of Euro 11,859 thousand mainly relate to the following items:

- "Concessions, licences, trademarks and similar rights", amounting to Euro 5,031 thousand, related to the issue of gaming machine (AWPs) authorisation;
- "Industrial patent rights and use of intellectual property", amounting to Euro 1,142 thousand, of which Euro 800 thousand for licenses of virtual games and Euro 342 thousand for development and implementation of software;
- "Other", totalling Euro 3,987 thousand, including Euro 3,492 thousand for AWP game cards to update the gaming machines, Euro 191 thousand for the development of portals, Euro 145 thousand related to operating software for administration, finance and control, Euro 120 thousand for development of logistics operating software, Euro 39 thousand for development of quota cycle.
- "Assets under construction and advances", amounting to Euro 1,699 thousand, of which: Euro 724 thousand, for in-house created software, Euro 600 thousand for virtual licences, Euro 269 thousand for development of software, Euro 84 thousand for the issue of authorizations for AWP machines, Euro 22 thousand for development costs related to the former Trotto area.

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

As specified in Note 4 "Business Combinations", goodwill as of December 31, 2015 was adjusted by Euro 269 thousand. Goodwill amounts to Euro 306,472 thousand, and is allocated to the following cash generating units (CGU):

- Euro 294,892 thousand to the "Concessions" CGU, of which (i) Euro 219,241 thousand generated through acquisition of the concessions business units as from March 16, 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.). They both form the "Concessions" CGU disclosed in the separate financial statements of SNAI S.p.A... The amounts related to the "Concessions" CGU are added with Euro 857 thousand generated by the combination due to the purchase of Finscom S.r.l., net of the impairment loss resulting from measurements made at end of 2015 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 and subsequent conclusion occurred on July 18, 2016) of the SIS S.r.l. business unit, in liquidation, 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 acquisition of Cogemat, 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. The Company took advantage from this possibility after receiving the notice by ADM on June 23, 2016, in which Cogetech S.p.A. was informed that the amount that the company had to pay for conformity assessments on VLT gaming machines was Euro 371 thousand for the 2013-2015 three-year period. Given the fact that these were costs referable to periods before the acquisition, goodwill was adjusted by Euro 269 thousand, net of the related tax effect. This CGU includes, at consolidated level, the business related to the horse racing and sports betting concessions, to the concession for the management and operation of the network for the on-line management of legal gaming machines and the related assets and functions (slot machines - AWP and video-lottery - VLTs) and activities related to skill, bingo and casino games;
- Euro 11,137 thousand to the Betting Services CGU, provided by SNAI Servizi Spazio Gioco S.r.l., incorporated into SNAI S.p.A. in 2002, consisting of activities related to telematic services rendered to the bet 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 CGUs 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 of December 31 each year, or more frequently in the presence of indication of possible permanent losses in value.

If the test shows a loss of value, the Group recognises a write-down on the statement of financial position.

No events or impairment losses occurred during the first nine months of 2016. Therefore, an interim impairment test was not performed.

17. Investments

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

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

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

18. Deferred tax assets and deferred tax liabilities

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

The SNAI Group reported net deferred tax assets of Euro 18,519 thousand (net deferred tax assets, as of December 31, 2015, restated, was Euro 29,325 thousand).

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

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

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

18.1. Deferred tax assets

Temporary differences	Amount	Rate	Tax effect	Assets recorded	Reversal period
Allowance for doubtful accounts	66,175	27.50%-24.00%	16,632	15,771	2016 and following
Provision for risks and charges	18,886	27.50%-24.00%- 32.62%-29.12%- 31.40%-28.82%	5,316	5,316	2016 and following
Provision for the obsolescence of the inventory	201	24.00%-29.12%- 27.90%-28.82%	57	57	2017 and following
Difference between book value and tax value of property, plant and equipment and intangible assets	8,894	27.50%-24.00%- 32.62%-29.12%- 31.40%	270	270	2016 and following
Interest expense not deducted as per art. 96 of Tuir	133,793	24.00%	32,110	17,774	2017 and following
Other temporary differences	2,647	27.5%-24.00%- 31.40%	686	686	2016 and following
Total	230,596		55,071	39,874	

Total Losses carried forward from prior year	Amount	Rate	Tax effect	Assets recorded	Usable by
SNAI S.p.A. tax consolidation:					
Year 2008	17,895	24.00%	4,295	4,295	no expiration
Year 2009	10,200	24.00%	2,448	2,448	no expiration
Year 2010	29,060	24.00%	6,974	6,974	no expiration
Year 2011	27,186	24.00%	6,525	6,525	no expiration
Year 2012	34,422	24.00%	8,261	8,261	no expiration
Year 2013	75,454	24.00%	18,109	2,989	no expiration
Year 2014	12,587	24.00%	3,021	3,021	no expiration
Year 2015	3,869	24.00%	929	-	no expiration
Year 2016	18,922	24.00%	4,541	-	no expiration
Total Losses carried forward for SNAI S.p.A. tax consolidation	229,595		55,103	34,513	
Finscom S.r.l.:					
Year 2012	1,467	24.00%	352	-	no expiration
Year 2013	796	24.00%	191	-	no expiration
Year 2014	1,010	24.00%	242	-	no expiration
Year 2015	1,408	24.00%	338	-	no expiration
Total Losses carried forward for Finscom S.r.l.	4,681		1,123	-	
Cogemat S.p.A. tax consolidation:					
Year 2012	9,617	24.00%	2,308	2,308	no expiration
Year 2013	54,391	24.00%	13,054	13,054	no expiration
Year 2015	9,901	24.00%	2,376	2,376	no expiration
Total Losses carried forward for Cogemat S.p.A. tax consolidation	73,909		17,738	17,738	
Total Losses carried forward	308,185		73,964	52,251	
Total Deferred tax assets				92,125	

Changes in deferred tax assets:

	December 31, 2015 Restated	Accrual	Utilisation	September 30, 2016
Deferred tax assets	100,262	4,597	(12,734)	92,125

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

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

No deferred tax assets were recognised on the loss of the SNAI S.p.A. for the nine months of 2016, resulting from tax consolidation, against a recordable gain of Euro 4,541 thousand.

It is also noted that no deferred tax assets were recognised for the tax loss resulting from the same tax consolidation for 2015, against a benefit of Euro 929 thousand, while tax loss for 2013 included deferred tax assets equal to Euro 2,989

thousand, against benefits of 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.

Deferred tax assets recognized for tax losses, resulting from the tax consolidation of SNAI S.p.A., amounted to Euro 34,513 thousand, while deferred tax assets on tax losses not recognize amounted to Euro 20,590 thousand.

With regards to the retained interest expense as per Art. 96 of the Presidential Decree 917/1986, accrued in 2014 with regards to SNAI S.p.A., deferred tax assets of Euro 2,363 thousand, were recognised, against benefits amounting to Euro 5,941 thousand. No deferred tax assets were recognised on retained interest expense accrued by the Parent Company during the year 2015 and the first nine months of 2016, against benefits totalling Euro 10,625 thousand.

With regards to the temporary differences between carrying amounts and fiscal values of the related assets/liabilities pertaining to the subsidiary Finscom S.r.l., (adhering to the tax consolidation of SNAI S.p.A. as from 2016), deferred tax assets of Euro 12 thousand were recognised against recordable benefits of Euro 2,128 thousand. In fact, no deferred tax assets on tax losses carried forward were recognised against recordable gains amounting to Euro 1,123 thousand, on interest payable carried forward pursuant to Art. 96 of the Presidential Decree 917/1986, against recordable gains amounting to Euro 132 thousand, as well as on the provision for doubtful debts subject to taxation, against recordable gains amounting to Euro 861 thousand.

18.2 Deferred tax liabilities

Temporary differences	Amount	Rate	Tax effect	Deferred tax liabilities recorded
Amortisation of goodwill	(11,755)	24.00%-29.12%	(3,235)	(3,235)
Amortisation of goodwill of business segments	(159,662)	24.00%-29.12%	(45,414)	(45,414)
Amortisation, commercial network	(44,209)	31.40% 27.50%	(12,362)	(12,362)
Difference between the book value and the tax value of property, plant and equipment	(39,619)	24.00%-29.12%	(11,525)	(11,525)
Other temporary differences	(3,907)	27.50%-24.00%	(1,070)	(1,070)
Total deferred tax liabilities	(259,152)		(73,606)	(73,606)

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

	December 31, 2015	Accrual	Utilisation	September 30, 2016
Deferred tax liabilities	70,937	3,562	(893)	73,606

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. recognised the identifiable assets and liabilities at fair value at the acquisition date and it recorded goodwill only after having allocated the acquisition cost as described above. Goodwill is not subject to amortisation but to impairment testing on an annual basis; amortisation for tax purposes is regulated by Art. 103, paragraph 3, of the Presidential Decree 917/1986, which gives rise to deferred tax liabilities.

The "Amortisation, commercial network" item, equal to Euro 44,209 thousand, with tax effect equal to Euro 12,362 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 book value and the tax value of property, plant and equipment" of Euro 39,619 thousand, with tax impact of Euro 11,525 thousand, mainly relates to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 37,221 thousand with tax effect of Euro 10,843 thousand), as well as properties and land (owned by former Immobiliare Valcarenga S.r.l.) in Milan (Euro 1,339 thousand, with tax effect of Euro 390 thousand).

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

It should be noted that, on September 29, 2016 and for the 2016-2018 period, the adhesion option to the tax consolidation was renewed as per articles 117 and following of the Presidential Decree 917/1986 between the consolidating company Snai S.p.A. and the consolidated company Trenno S.r.l.. At the same time, the option to adhere to the tax consolidation between SNAI S.p.A. and the consolidated companies Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l., Azzurro Gaming S.p.A. and Finscom S.r.l. was exercised for the same period. It should be also recalled that, for the 2015-2017 period, the option to the tax consolidation is currently in force, as per articles 117 and following of the Presidential Decree 917/1986, between the consolidated companies Teleippica S.r.l. and Snai Rete Italia S.r.l.

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 income statement.

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

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

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

The consolidated companies' tax liability, with respect to the 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.

Lastly, it should be noted that, before the option of tax consolidation exercised together with the Parent Company Snai S.p.A., the subsidiary Cogemat S.p.A. adhered to a different domestic tax consolidation, which envisaged the same Cogemat S.p.A. as parent and consolidating company and the companies Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A. as consolidated companies. Albeit the aforesaid tax consolidation remained in force until September 29, 2016, in the sake of a more consistent disclosure, the tax burden referable to the two tax consolidation regimes of SNAI S.p.A. and Cogemat S.p.A. was calculated separately in these interim financial statements.

19. Inventory

Compared to December 31, 2015 inventories decreased by Euro 123 thousand. The breakdown of the "Inventory" item is shown below:

thousands of Euro	September 30, 2016	December 31, 2015	Change
Raw materials	187	184	3
Semi-finished products	0	0	0
Finished products/goods	331	457	(126)
Total	518	641	(123)

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

20. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	September 30, 2016	December 31, 2015	Change
Trade receivables			
- from third parties	187,677	202,563	(14,886)
- from foreign third parties	27	20	7
- from MIPAAF	3,696	4,194	(498)
- from stables, jockeys and bookmakers	191	837	(646)
- from the Parent Company Global Games S.p.A.	4	0	4
- bills collection	1,322	1,206	116
- allowance for doubtful accounts	(59,458)	(72,651)	13,193
Total	133,459	136,169	(2,710)

Trade receivables from third parties as of September 30, 2016 included the amount due from operators for accepting bets (Betting and Gaming Machines), net of the compensation due to those operators, in addition to receivables to operators of Gaming Machines for the reduction of premiums and remunerations provided for by the 2015 Stability Law. The increase in trade receivables is mainly attributable to the increase in the PREU rate applicable to collections from gaming machines, as set out by the 2016 Stability Law, resulting in an increase in the amounts required to the network for the next payment to ADM. As of September 30, 2016, the receivables related to the reduction in premiums, as set forth by the Stability Law, amounted to Euro 29,522 thousand, including Euro 11,179 thousand related to SNAI S.p.A. and Euro 18,343 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 by the Group to ADM within the term of October 31, 2015, as set out by the Stability Law (for further details see Note 30 Other liabilities). In light of opinions collected, the SNAI Group believes that it is not co-responsible with regards to the tax rate pertaining to the business segment, and deems that there is no credit risk as per the amounts that are possibly not repaid by operators albeit the Group disclosed the amounts due and the corresponding gross payables to ADM under item other payables.

Trade receivables from third parties also include the receivables subject to legal action amounting to Euro 52,168 thousand (Euro 51,960 thousand as of December 31, 2015).

Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture, Foodstuff and Forestry Policies), amounted to Euro 3,696 thousand (Euro 4,194 thousand as of December 31, 2015) and include:

- Euro 1,415 thousand (Euro 1,840 thousand as of December 31, 2015) for receivables from the Società Trenno S.r.l. The "Receivables from MIPAAF" item includes receivables for current services, i.e. from April to September 2016 grants accrued for television broadcasts, from August to September 2016 grants for plants, from May to September 2016, 60% payment on account for races and from January to September 40% balance payment for races;
- Euro 2,281 thousand (Euro 2,354 thousand as of December 31, 2015) related to the agreement made by Teleippica S.r.l. for transport services, the processing and transmission of video and audio signals from domestic and foreign 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 allowance for doubtful accounts was calculated taking into consideration the amount of receivables that were doubtful, analysing debtors' specific conditions and any security that had been provided towards the companies of the Group, and also carrying out an assessment on the possible recovering of overdue receivables, and disputed receivables, based on the opinions of the Group's lawyers. Taking into account the company-backed guarantees obtained from debtors, Directors believe that this provision is adequate to cover all foreseeable future losses on receivables.

21. Other assets

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

thousands of Euro	September 30, 2016	December 31, 2015	Change
Other non-financial assets			
<i>Tax receivables:</i>			
- for tax refund	47	0	47
	47	0	47
<i>Receivables from others:</i>			
- guarantee deposits	1,168	1,134	34
- other receivables	0	6	(6)
	1,168	1,140	28

Receivables from clients:			
- bills for collection	273	522	(249)
- customers	1,633	1,642	(9)
	1,906	2,164	(258)
Total Other non-financial assets	3,121	3,304	(183)

Other current assets are composed as follows:

thousands of Euro	September 30, 2016	December 31, 2015	Change
Other current assets			
<i>Tax receivables:</i>			
- from Italian Revenue Agency for IRES credit	2,825	2,561	264
- from Italian Revenue Agency for IRAP credit	1,983	1,402	581
- from Italian Revenue Agency for VAT credit	103	115	(12)
- Other	301	548	(247)
	5,212	4,626	586
<i>Receivables from others:</i>			
- Gaming Machines security deposit	27,732	37,228	(9,496)
- 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	3,609	1,951	1,658
- Escrow deposit	0	651	(651)
- Receivables from ADM for winnings on pool betting and National Horse Racing	14	81	(67)
- On-line gaming security deposit (Skill/Bingo)	229	345	(116)
- Receivables for Skill Games	27	15	12
- Other receivables from Betting Acceptance Points	20	0	20
- Receivables from prior positions with concession authorities	327	327	0
- Receivables for payment of PREU interest and sanctions what were not due	2,114	2,114	0
- Receivables from Bluline electronic purse	226	226	0
- Soc. Security Entities	451	100	351
- Banks	259	0	259
- Other receivables	5,720	4,562	1,158
- Allowance for doubtful accounts	(2,836)	(1,074)	(1,762)
	38,074	46,708	(8,634)
<i>Accrued income and prepaid expenses</i>			
- Accrued income	372	89	283
- Prepaid expenses	3,641	3,832	(191)
	4,013	3,921	92
Total Other current assets	47,299	55,255	(7,956)

The gaming machines security deposit of Euro 27,732 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 5, "revenues from sales and services." The amount of Euro 11,139 thousand is related to SNAI S.p.A. and the amount of Euro 16,593 thousand to Cogemat Group. In June, the SNAI Group collected a security deposit related to the year 2015 and amounting to Euro 37,052 thousand.

The advance payment of concession fee and other receivables from ADM, equal to Euro 3,609 thousand, mainly includes the fixed amounts paid in advance to ADM in the first and second half of 2016, and relates to the concession fee for horse racing and sports betting and for on-line gaming, excluding the amounts pertaining to the period. For further details, see Note 10.

The "Other receivables" item includes the escrow deposit of Euro 757 thousand, related to the payment made by SNAI Rete Italia S.r.l. in favour of SIS S.r.l., in liquidation, as a guarantee of possible liabilities that might occur within March 31, 2017, as envisaged by the contract signed on July 18, 2016.

Prepaid expenses include:

- Euro 1,852 thousand (compared to Euro 2,397 thousand as of December 31, 2015), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for gaming machines;
- Euro 1,789 thousand (Euro 1,435 thousand as of December 31, 2015), primarily related to costs of maintenance, assistance and lease contracts, etc., that have not yet accrued.

22. Financial Assets

Non-current financial assets, amounting to Euro 1,778 thousand (Euro 1,773 thousand as of December 31, 2015), are related to AWP deposits for contracts with segment operators.

The current financial assets consist of the following:

thousands of Euro	September 30, 2016	December 31, 2015	Change
Escrow accounts and restricted deposits	16,715	19,853	(3,138)
Eonia Plus Pioneer Fund	0	1,483	(1,483)
Dedicated bank current account	95	95	0
Shares in former Società Fiorentina Corse Cavalli for exchange	1	1	0
Total Current financial assets	16,811	21,432	(4,621)

The escrow accounts and restricted deposits, totalling Euro 16,708 thousand, were opened by the Parent Company in order to manage the setoff between the receivables from ADM under the Di Majo award, and the liabilities for wagers, due every 15 days (the so-called "former ASSI fifteen-days payments"). Such restricted bank accounts are unavailable pending the ADM's decisions after the judgement of the Milan Court of Appeal of November 21, 2013, which stated that the arbitration award issued on May 26, 2003 (known as "Di Majo Award") was void and ineffective.

The unavailable amounts on bank current accounts, totalling Euro 7 thousand, relate to amounts which are temporarily unavailable because of enforcement order of third party's claims.

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

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

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

23. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

thousands of Euro	September 30, 2016	December 31, 2015	Change
Current bank accounts	139,847	105,478	34,369
Postal deposits	404	772	(368)
Cash on hand	1,314	1,338	(24)
Cash and cash equivalents	141,565	107,588	33,977
Bank overdrafts	0	0	0
Net cash and cash equivalents	141,565	107,588	33,977

24. Shareholders' equity

The share capital of the Parent Company, SNAI S.p.A., as of September 30, 2016, entirely subscribed and fully paid up, amounted to Euro 97,982,245.40 (97,982,245.40 as of December 31, 2015), and is comprised of 188,427,395 ordinary shares (188,427,395 as of December 31, 2015).

On September 28, 2015, the extraordinary shareholders' meeting resolved on a divisible increase with consideration of SNAI S.p.A.'s share capital, excluding the option right pursuant to Art. 2441, par. four, first sentence, of the Italian Civil Code, for a maximum nominal amount of Euro 37,233,253.20, through the issue of 71,602,410 maximum new ordinary

shares of the Company. The latter are to be released by the current shareholders of Cogemat S.p.A. through the payment by kind of 100% of the ordinary shares held by them in Cogemat S.p.A. share capital. On September 30, 2015, the above-mentioned transfer deed was signed, which became effective on November 19, 2015, upon fulfilment of the related conditions precedent. On November 24, 2015, the certification of the share capital increase was deposited at the Companies 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.

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

All the shares issued are ordinary shares.

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

Reserves

Share premium reserve

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

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

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

Treasury share reserve

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

Profit/(loss) carried forward

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

Non-controlling interest

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

25. Other comprehensive income/(loss)

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

The following table shows details of the other Statement of Comprehensive Income.

<u>III quarter</u>			<u>Nine months</u>	
<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
		Derivative instruments for hedging:		
0	732	Adjustment to cash flow hedge	0	2,197
0	(201)	Tax effect	0	(604)
0	531	Hedge derivatives	0	1,593
0	0	Fair value of securities held for trading	17	(110)
0	531		(a) 17	1,483
		Re-measuring of defined-benefit plans for employees:		
0	(44)	Actuarial gains/(losses)	0	(44)
0	12	Tax effect	0	12
0	(32)		(b) 0	(32)
0	499	Other comprehensive income/(loss) for the period (a+b)	17	1,451

26. Earnings per share

Basic earnings per share

The calculation of the basic earnings/loss per share as of September 30, 2016 was made taking into consideration the loss attributable to the holders of ordinary shares, for Euro 7,537 thousand (December 31, 2015: loss of Euro 54,231 thousand) and the weighted average number of outstanding ordinary shares during the period ended September 30, 2016, equal to 188,356,771 shares (December 31, 2015: 124,051,448).

The amount was calculated as follows:

(thousands of Euro)	September 30, 2016	December 31, 2015	September 30, 2015
Net profit/loss for the period/year (a) in thousands of Euro	(7,537)	(54,231)	(13,999)
Average weighted number of ordinary shares /1000 (b)	188,356.77	124,051.45	116,779.29
Basic earnings/(loss) per share (a/b) in unit of Euro	(0.04)	(0.44)	(0.12)

Diluted earnings/(loss) per share

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

27. Employee termination indemnities

The Employee termination indemnities as of September 30, 2016 amounted to Euro 8,526 thousand against Euro 8,641 thousand as of December 31, 2015.

The following table shows the movements therein:

thousands of Euro	
Balance as of January 1, 2016	8,641
Accruals	593
Utilisation	(829)
Financial expenses	121
Balance as of September 30, 2016	8,526

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

28. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	September 30, 2016	December 31, 2015	Change
Non-current financial liabilities			
Bond loan	575,931	573,030	2,901
Due to financial leasing	29	71	(42)
Total Other non-current liabilities	575,960	573,101	2,859
Current financial liabilities			
Due to financial leasing	345	1,295	(950)
Due for interest on bond loans	15,164	2,166	12,998
Due to banks	135	71	64
Due to "Betting Acceptance Points" for the purchase of horse race and sports concessions business units	32	32	0
Total Current financial liabilities	15,676	3,564	12,112

The financial liabilities include:

- The bond loans stipulated on December 4, 2013 and July 20, 2015 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 575,931 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 of September 30, 2016, amounted to Euro 2,901 thousand;

- financial liabilities for financial lease contracts, totalling Euro 374 thousand, mainly relate to technology for use in betting acceptance points, described in greater detail in Note 15, "Property, plant and equipment".

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

On December 4, 2013, SNAI S.p.A. issued a bond loan for Euro 480,000 thousand comprising:

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

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

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

On November 27, 2013, SNAI 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., Intesa Sanpaolo S.p.A. On July 28, 2015, during the re-financing transaction connected with the merger of the Cogemat Group, UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A., Milan Branch, committed to supply SNAI S.p.A., subject to the fulfilment of certain condition precedent, with a further Euro 25,000 thousand, at the same terms and conditions set out in 2013, thus increasing the credit line to a total amount of Euro 55,000 thousand. On December 10, 2015, the aforesaid conditions precedent were fulfilled. The Senior Revolving Facility had not been used as of June 30, 2016.

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

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

thousands of Euro

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

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

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

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

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

As of September 30, 2016, the provisions for risks and charges amounted to Euro 20,302 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

thousands of Euro	Provisions for technological renewals	Provisions for tax disputes, litigations, contractual risks and other	Total
Balance as of December 31, 2015	2,246	24,853	27,099
Business combination	0	0	0
Accrual for the period	717	856	1,573
Reclassification	(20)	(1,688)	(1,708)
Utilisation for the period	0	(6,662)	(6,662)
Balance as of September 30, 2016	2,943	17,359	20,302

Provisions for technological renewals

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

Provisions for tax disputes, litigations and contractual risks

The provision for 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 17,359 thousand.

Provisions recognised for the period (Euro 856 thousand) include Euro 513 thousand for future charges related to costs for upgrading of the fire prevention systems, Euro 150 thousand for possible liabilities related to personnel and Euro 193 thousand for further risks.

The utilisations for the period, amounting to Euro 6,662 thousand, are related, in the amount of Euro 3,164 thousand, to transactions with employees and also include related legal fees. They are also related, in the amount of Euro 2,372 thousand, to the use for transactions with players and related legal fees and, in the amount of Euro 1,126 thousand for further uses.

SNAI

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 the Royal Decree 1038/1933, for the formation of the official account, on the basis of an alleged failure to present a "court account" in respect of the cash flows arising from the management of gaming activities, as network concession holder.

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

On April 27, 2010, the Regional Prosecutor sent a summons for a hearing to sentence SNAI S.p.A. for non-reporting. The Court, at the preliminary for appearance and discussion held on October 7, 2010 regarding the penalty sought by

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

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

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

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

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

Sentence on accounts

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

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

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

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

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

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

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

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

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

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

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

In particular, as of September 30, 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 a distraint order over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the temporary enforceability was suspended with SNAI’s payment to the Court of Euro 500,000.00. The Court concluded the proceeding by declaring its own lack of jurisdiction and ordered the release of the guarantee deposit with consequent return of the corresponding amount to SNAI. –
- in the remaining seven cases, temporary enforceability was suspended pending summary examination of the substantive case. In five of those, the enforcement procedure started was then discontinued.

The situation as of September 30, 2016 is as follows:

- 45 proceedings are still pending;
- 5 proceedings were settled with favourable sentences for SNAI and still not *res judicata*
- 3 were discontinued with a favourable sentence for SNAI;
- 11 proceedings were not completed within the terms by reason of lack of territorial jurisdiction of the Judge and therefore they were discontinued;
- 2 proceedings were discontinued due to inactivity of the plaintiff (failure to register, to appear in Court, to take part in the mediation procedure).
- 32 transactions were subscribed.

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

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

In light of the legal advice received and the favourable sentences - also on the merits - issued by the Court, in general the risk of the Group losing the cases entered by players can be deemed as no longer possible.

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 3 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 4 licences that were rejected with no possible appeal. However, with regards to 6 proceedings, a notice was received informing that they will be discontinued if SNAI does not confirm its willingness to reach a settlement.

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

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

Disputes related to the betting business: Guaranteed minimum service levels

SNAI received a number of notices from 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 May 29, 2009, the Authority demanded that SNAI pay the minimum guaranteed amounts for the year 2008, for a total of approximately Euro 11.1 million. On September 17, 2009, the Company, acting through its legal adviser, filed a special appeal with the Lazio Regional Administrative Court for the suspension and subsequent cancellation of the decisions requiring the minimum payments for the year 2008.

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

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

Following numerous litigation brought before the same Court by a large number of betting acceptance points concession holders related to the guaranteed minimum fees for the years 2006 and 2007, the Court pronounced the Sentences nos. 6521 and 6522 of July 7, 2009, cancelling the request of payment of 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; and 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, was 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 January 12, 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. - 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 March 21, 2012.

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

On June 20, 2012, ADM notified 226 requests to SNAI 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 of supplements to minimum guaranteed amounts for the years 2006-07-08-09-10-11, for a total 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 March 2, 2012 converted into Law no. 44 of April 26, 2012.

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

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

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

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

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

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

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

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

With ruling no. 275 of November 20, 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, lett. b) of the Law Decree no. 16/2012 as regards the wording "*not higher than 5 per cent*". The above wording is therefore cancelled which limited the settlement of pending cases on guaranteed minimum amounts, with a discount that should have remained "*not higher than 5 per cent*".

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

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

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

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

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

Legal proceedings related to the 2015 Stability Law

Administrative proceeding

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

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

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

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

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

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

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

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

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

The interim judgement before the Constitutional Court was formally made after the registration of the order on developments no. 152 in the Register of proceedings of the Constitutional Court and following publication in the Official Journal, Special Section no. 36 of the Constitutional Court, on September 7, 2016. SNAI S.p.A. asked to be included in the proceeding by lodging its defensive brief.

The public hearing is to be set for discussion.

Meanwhile, the judgement before the Lazio Regional Administrative Court remains 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 December 17, 2015, pursuant to Law no. 53 of 1994, Acilia Games S.r.l. (together with other 435 operators of the segment of legal gaming) sued SNAI (together with other concession holders of legal gaming, including Cogetech) with the following conclusions:

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

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

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

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

(e) assessing that concession holders are bound to renegotiate in good faith the agreements, and order them to do so without imposing unilateral terms and conditions. As for the above, 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.

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

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

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

by plaintiffs. Upon lifting his reservation, the Judge granted only the legal terms to the parties, as per Art. 183, par. 6 of the Italian Code of Civil Procedure, as from September 1, 2016, and scheduled the hearing for the continuation of the case on December 5, 2016.

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

Civil proceeding R.A. Elettronica (Concession holder) Stability Law
Ordinary Court of Lucca

With writ of summons, served on July 29, 2016, R.A. Elettronica S.r.l. summoned SNAI to appear before the Court which was petitioned to express a sentence on the following:

- (i) to assess and state that all the amounts asked by the company SNAI S.p.A. as reduction of premiums and remunerations are not due as per Art. 1, par. 649 of Law no. 190/2014 and Art. 1, par. 920 and 921 of Law no. 208/2015, as the arguments of fact and law are non-existent;
- (ii) to assess and state the absence of any breach whatsoever by the company R.A. Elettronica to its contract obligations and regulations in force and, in particular, to provisions set forth in Art. 1, par. 649 of Law no. 190/2014 and Art. 1, par. 920 and 921 of Law no. 208/2015;
- (iii) to order SNAI S.p.A. the repayment of any amount unduly received or to be received as reduction of premiums and remunerations, pursuant to articles 649, Law 190/2014 and 1, par. 920 and 921 of Law no. 208/2015, in addition to interest and monetary revaluation.

The first hearing is scheduled on February 2, 2017.

The Company will promptly appear in Court in due terms.

Administrative proceeding (SNAI - other party vs A.G.C.A.I., PUNTO GIOCHI S.r.l. and Other 24)

Objection to the sentence before the Lazio Regional Administrative Court by A.G.C.A.I. - association representing the AWP operators - together with a number of other associated companies. The plaintiffs claim that notes should be declared null and void, while suspending their enforceability pending the final decision. With the aforesaid notes, Concession holders of the on-line network of gaming machines with winnings in money ordered the Operators of AWP gaming machines to pay the related contribution to the additional charge, introduced by Art. 1, par. 649, Law no. 190/2014 for the reduction of the fees of the gaming machine industry. Only two companies out of the number of claimants have contracts with SNAI S.p.A..

We are awaiting for the Council to meet to discuss on the interim application. The hearing is scheduled on November 9, 2016.

As regards the inconsistency of issues brought in by the plaintiffs, as already highlighted by the Lazio Regional Administrative Court in the above-mentioned administrative proceeding, especially for the relevant aspects related to the interim application, the risk of an unfavourable outcome for the Company is to be prudentially estimated as only remote.

Administrative proceeding (SNAI - other party vs A.G.C.A.I., VG SERVICE S.r.l. and Other 22)

A.G.C.A.I. - the association representing AWP operators - together with a series of associated companies, submitted a further appeal before the Lazio Regional Administrative Court, notified to SNAI S.p.A. and to the other concession holders of the on-line management of the legal games through gaming machines with winnings in money. The content of this appeal is identical to the one described above, the only difference is the group of plaintiffs, which includes only 4 companies having contracts with SNAI S.p.A..

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

The appeal has not been deposited at the Lazio Regional Administrative Court, Rome office.

SNAI S.p.A. will appear before the Court to challenge the objection submitted.

As regards the inconsistency of issues brought in by the plaintiffs, as already highlighted by the Lazio Regional Administrative Court in the above-mentioned administrative proceeding, especially for the relevant aspects related to the interim application, the risk of an unfavourable outcome for the Company is to be prudentially estimated as remote.

Administrative proceeding (SNAI - other party vs A.G.C.A.I., PRISME S.r.l. and Other 22)

A.G.C.A.I. - the association representing AWP operators - together with a series of associated companies, submitted an extraordinary appeal to the President of the Italian Republic, notified to SNAI S.p.A. and to the other concession holders of the on-line management of the legal games through gaming machines with winnings in money. The content of this appeal is identical to all those described in the two paragraphs above, the only difference is the group of plaintiffs, which includes 3 companies having contracts with SNAI S.p.A.. The Judging Authority is also different; in this case it is

represented only formally by the President of the Italian Republic, as the appeal is substantially investigated and evaluated by the Council of State, as adviser.

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

SNAI S.p.A. will appear before the Court to challenge the objection submitted.

As regards the inconsistency of issues brought in by the plaintiffs, as already highlighted by the Lazio Regional Administrative Court in the above-mentioned administrative proceeding, especially for the relevant aspects related to the interim application, the risk of an unfavourable outcome for the Company is to be prudentially estimated as remote.

Legal proceedings related to the 2016 Stability Law

Administrative proceeding

With appeal deposited before the Lazio Regional Administrative Court (TAR), RO.MA. S.r.l. (together with other 33 operators of 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 December 28, 2015 ("2016 Stability Law"), as well as the above-mentioned primary rules with respect to their contents, while asking the Judge to cancel them and/or declare their incompatibility with the Italian Constitution and European Regulations.

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

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

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

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

Penalties for exceeding the AWP quotas

Following the demand formulated by ADM on June 22, 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 January 31, 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 has been provisioned to provide full coverage for any risks this may represent. Lastly, ADM further asked the payment of the entire amount by October 31 and SNAI, due to the huge amount of checks functional to the payment and in agreement with other concession holders, on the one hand filed a formal request for cancellation of such notices, as a form of self-remedy to the payment claim, and on the other hand objected such order before the Administrative Court. We are awaiting the dates to be set for the hearing on the discussion of the appeal.

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

With notice no. 60241 of June 23, 2016, ("**ADM Note of June 23, 2016**"), ADM - Gaming Machines Office - asked SNAI S.p.A. to pay Euro 271,446.97 to cover costs for the consistency assessments on gaming systems and VLT gaming machines performed by the technological partner SOGEI S.p.A. in the three-year period from March 20, 2013 to December 31, 2015, in relation to which ADM made annual prepayments in favour of SOGEI S.p.A.

Considering the fact that the above-mentioned notice did not allow for the inclusion of the adopted quantification criterion, with notice 884/2016/PU VLT of July 13, 2016, SNAI submitted the request (i) to obtain a copy of all documents related to the aforesaid quantity (ii) to start a negotiation with ADM and (iii) to obtain the suspension of the payment terms. After viewing the records, with note of September 12, 2016 the Company required the review in calculating concession charges. In its turn, with note of October 10, 2016, the Administration stated that the objections could not be upheld, thus confirming the amount due, and already quantified in Euro 271,446.97, and inviting the company to make the related payment within 15 days from receipt of the notice. The objection against this measure was submitted to the Head of the State and, in the meantime, the payment was made with reserve.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007: The company Omniludo S.r.l. sued SNAI, alleging a breach of obligations under an existing contract between the parties for the “*management, maintenance and assistance by Omniludo S.r.l. for slot machines*” (the “Contract of June 29, 2005”, petitioning the court:
 - to assess 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 order SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.The case was investigated and the hearing was postponed to December 10, 2010 to allow for clarification of the pleadings and then postponed again *ex officio* to June 17, 2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (Case no. 4810/2010 described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10). By order of February 10, 2012, the Court lifted its reservation made at the hearing of June 17, 2011 and the Judge forwarded the case to the President of the section for combination of the lawsuits or the reassignment of lawsuit 4810/2010 to Mr. Capozzi, who had investigated the first proceedings.
- Case 4810/2010. By the writ of summons served on November 16, 2010, SNAI S.p.A., in light of the grossly negligent breach of obligations under the Contract of June 29, 2005, sued Omniludo S.r.l. before the Court of Lucca, petitioning the Court as follows:
 - 1) to find and declare Omniludo S.r.l. to be in breach of trust and of the obligations under the aforementioned contract;
 - 2) to assess and declare the Contract of June 29, 2005 to be terminated on the grounds of Omniludo S.r.l.'s serious breaches of its contractual and statutory obligations;
 - 3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter “c.c.p.”) to compensate for both lost profits and the injury caused to the image and goodwill..

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

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

By order of March 12, 2012, the Presiding Judge of the Court ordered that the case 4194/07 be convened jointly with case 4810/2010 at the hearing of December 11, 2013, before Judge Frizilio with a view of their possible consolidation.

The aforementioned ruling was appealed by Omniludo S.r.l. on April 3, 2012. The Presiding Judge of the Court, holding that the substantive requirements were met for grouping of the proceedings, ordered on June 26, 2012, that the case be referred to Judge Frizilio for the purposes of arranging the consolidation and clarification of the pleadings.

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

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

With deed of summons for the appeal, served on May 28, 2015, the company Omniludo Srl, in liquidation, objected the sentence no. 1772/2014 of the Lucca Court before the Court of Appeal of Florence, summoning SNAI to the hearing of October 15, 2015 – set for November 26, 2016 by Decree of the President of the Arbitration Panel, Section I - and asking that the same be ordered to pay all damages incurred by Omniludo 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 March 14, 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. SNAI appeared in Court in due form, stating its own defence and objecting that the plaintiff's claims were groundless.. Following the hearing on February 15, 2013, the Investigating Judge ordered the translation of foreign-language documents filed by Ainvest. The case was assigned to another judge on June 7, 2013 who postponed the hearing until October 11, 2013. In the meantime, AINVEST filed a

petition for the revocation of the ordinance for the translation of the documents into English. At the hearing of October 11, 2013, the Judge ordered the appointment of an interpreter, setting the new hearing on May 16, 2014.

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

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

Potential assets: Receivables from the Di Majo Award

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

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

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

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

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

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

In addition to those legal events, on June 22, 2010 AssoSNAI (Association of the category of concessionaires) sent 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 ADM in any case, and SNAI has arranged for such offsetting in the amount of Euro 2,498 thousand regarding the receivables directly attributable to SNAI as concession holder.

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

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

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

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

Allegations by the ADM regional offices related to the 2006 PREU

This dispute regards forty-one 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 4 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 April 20, 2015, and at that date, upon lifting of its reservation, the CTR rejected SNAI's appeal and confirmed the assessment notice; SNAI did not appeal to the Supreme Court (Cassation);
- for 15 proceedings, the hearings on the merits and suspension of provisional enforceability as of June 5, 2013 have been accepted and on July 24, 2013 the Court lifted its reservation and rejected the appeal filed by SNAI. Based on the above-mentioned rulings, SNAI filed an appeal with the appropriate Regional Tax Commission. The hearings on the merits were held on June 11, 2015, and upon lifting of its reservation, the CTR rejected SNAI's appeal. SNAI did not appeal to the Supreme Court;

- for 1 proceeding, after accepting the suspension at the hearing of March 5, 2015, the CTP, upon lifting of its reservation made at the hearing on the merits, declared the appeal for incompetence as ineffective.
- for 1 proceeding, the hearings on suspension were held on December 12, 2014. Upon lifting of its reservation, the CTP rejected the suspension request. After various postponements, the hearing on the merits was held on February 16, 2016, at the end of which the Court reserved on the decision. Upon lifting its reservation, the CTP upheld SNAI's appeal with order deposited on June 7, 2016.
- for 18 proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which 3 are referred to the closing of the litigation. With reference to the remaining 15 sentences - all objected by ADM before the Regional Tax Commission - rulings are still pending before the Supreme Court of Cassation by effect of the objections submitted by ADM against the rulings of the Regional Tax Commission, which confirmed the first instance proceeding thus rejecting ADM's request. With regards to the proceedings, a new hearing has to be set;
- for 1 proceeding, SNAI's appeal was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed. SNAI did not appeal to the Supreme Court (Cassation).

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

Allegations by the ADM regional offices related to the 2007 PREU

This dispute regards twelve 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:

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

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

Allegations by the ADM regional offices related to the 2008 PREU

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

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

Notices served by Regional Offices for exceeding the AWP quotes

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

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

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

Quotes of October 2, 2012

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

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

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

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

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

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

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

FORMER COGEMAT GROUP

Proceeding on reporting procedures

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

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

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

Sentence on accounts

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

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

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

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

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

On December 2, 2013, ADM claimed that Cogetech S.p.A. unfulfilled the service levels as per letters e) and f) of Attachment 3-ter regarding the management of VLT gaming machines for a total penalty of Euro 195 thousand. The request for access to the records was filed on December 9, 2013. Notice from ADM, official reg. no. 2791/2013 dated December 20, 2013, filed within the terms for the lodging of appeals. We are awaiting that Sogei takes from the ADM database the data required by the concession holder. Notice of May 5, 2014, in which ADM adjusted the amount related to the objection by reducing it to Euro 45 thousand. The request for adjustment, based on the request to access to the records, was prepared and lodged. Following the ADM notice dated December 17, 2014, reporting the availability of data required, the records were viewed on December 18, 2014. The counter-claims were drawn up and sent on January 16, 2015. On August 7, 2015, 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 February 11, 2014 regarding the Bersani Concession Conventions no. 4304 and 4011 (Lazio Regional Administrative Court)

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

On May 9, 2014, 5 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 June 26, 2014, 4 notices were sent to Cogetech S.p.A. 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 25,000.00, plus interest. The appeal was prepared, and a new hearing has to be set.

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

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

2011 quotes - shared premises

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

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

It is worth noting that further investigation was carried out by the ADM concerning any breach of the law on quotas after August 2011. To this purpose, it is also noted that, with the ADM notice of July 11, 2014, the Lombardy Local Directory required the payment of Euro 273,000 for the non-payment of the amount as provided for by Art. 1, par. 81, lett. d) of

Law 220/2010, always in relation to the period from January to August 2011. By reason of the above, Cogetech prepared and filed a counter-appeal to the notice. A new hearing has to be set.

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

The objection against the order in question, dated October 12, 2011, saw the modification of the PREU tax by 6%, as from January 1, 2012, on the portion of winnings exceeding Euro 500. The Lazio Regional Administrative Court submitted to the Council the issue of breach of the Italian Constitution by Art. 10, par. 9 of Decree Law 16/2012. The hearing was fixed before the Constitutional Court on June 10, 2014. A notice by ADM of May 12, 2014 required taxation to begin on June 3, 2014. On June 9, 2014, notice was sent related to ADM decree on the starting of taxation as from the fifteenth day after the lodging of the sentence of the Constitutional Court on resolution of the dispute (hearings on discussion of June 13). Following the sentence of the Constitutional Court on the breach of the Italian Constitution, a hearing on the merits is still to be fixed (as provided for in the first hearing after the sentence of the Court) by virtue of the appeal filed against the so-called Ferrara decree on further suspensions proposed on that occasion. The hearing for discussion of the appeal was set for May 24, 2017.

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

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

On February 9, 2015, Cogetech objected the 2015 Stability Law and the implementing 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 April 2, 2015 rejecting the request of the suspension of the payment of the first instalment). The investigation order then followed, in which the Regional Administrative Court wanted to check the impact of this payment on the financial statements of the concession holders (Ord. no. 9777 of July 20, 2015).

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

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

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

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

With order no. 14139, published on 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 order of submission issued by the TAR of Lazio to the Constitutional Court was published on the GURI (Official Journal). The deed was drawn up and deposited.

Meanwhile, the judgement before the Lazio Regional Administrative Court remains suspended.

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

wagers for 2014; (e) on November 2, 2015, paid to ADM the amount of Euro 5,123,891.37, equal to the sum of the amounts pertaining to the concession holder itself and of the amounts paid by the third-party operators in the segment in relation to wagers, net of the above-mentioned prepayment of Euro 6,587,530; (f) for the period from November 2, 2015 to December 31, 2015, paid the amounts that were collected on delay from the segment and totalling Euro 3,174,627.

With the timing agreed upon with 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 R.A. Elettronica (Concession holder) Stability Law

Ordinary Court of Milan

With writ of summons, served on July 28, 2016, R.A. Elettronica S.r.l. summoned Cogetech S.p.A. to appear before the Court which was petitioned to express a sentence on the following: (i) to assess and state that the amounts claimed by Cogetech S.p.A., as per articles 1, par. 649, Law no. 190/2014 and 1, par. 920 and 921, Law no. 208/2015 ("Stability Law"), for Euro 15,457.00, are not due; (ii) to assess and state any breach whatsoever by the company R.A. Elettronica S.r.l. of the contract and law obligations, with special reference to provisions set out by the Stability Law; (iii) to order Cogetech S.p.A. the repayment of any amount unduly received, or to be received as reduction of premiums and remunerations, pursuant to the Stability Law, in addition to interest and monetary revaluation. The first hearing is scheduled on February 2, 2017.

The Company will promptly appear in Court in due terms.

Administrative proceeding

Appeal before the LAZIO REGIONAL ADMINISTRATIVE COURT (Operators) - Stability Law

On September 16, 2016, a group of 12 Operators, together with the A.G.C.A.I. association (National Association of Operators and Manufacturers of gaming machines) notified the appeal to the Regional Administrative Court, with request for interim application, asking the Court to hear and uphold the following conclusions: (i) to cancel the objected measures concerning the Stability Law; (ii) whenever deemed necessary, notwithstanding the power to declare their incompatibility, as objected before, to raise the following issues before the Constitutional Court and/or the Court of Justice: - before the Constitutional Court: to assess the constitutional legitimacy of Art. 1, par. 649, Law no. 190/14 with respect to its inconsistency with articles 3, 41, 42, 76, 97 and 117 (as regards the indirect rule set forth by art. 1, par. 1 of CEDU) of the Constitution, as well as with the principle of reasonableness of the Law; - before the Court of Justice, pursuant to Art. 267 of TFUE, in order to assess whether: 1) a regulation like the one included in Art. 1, par. 649, Law 190/14 that envisages that only a determined number and type of operators (entertainment) are subjected to a reduction in remuneration, while no reduction is envisaged for other operators acting in the same sector (other public games), is inconsistent with principles related to Government grants, pursuant to Art. 106 and 107 of TFUE, 2) a regulation like the one included in Art. 1, par. 649, Law 190/14 that, in breach of the principle of free competition, envisages that only a limited number of competitors is subjected to a reduction in remuneration and premiums for operators of gaming machines, while no reduction is envisaged for other operators of public games, is inconsistent with the principles of free competition, pursuant to Art. 101-102 and 106 of TFUE. The above is with all legal consequences, also as regards legal fees and expenses. The hearing for discussion of the appeal in the Chamber of Council was set for November 9, 2016. The Company has already appeared in Court in due terms.

A similar appeal was notified by A.G.C.A.I. with other 23 Operators, on September 28, 2016. The hearing in the Chamber of Council was fixed on November 23, 2016. The Company appeared in Court in due terms.

Appeal before the President of the Italian Republic (Operators) Stability Law

On October 13, 2016, a group of 23 Operators, together with the A.G.C.A.I. (National Association of Operators and Manufacturers of gaming machines) notified the appeal to the President of the Italian Republic, with request for interim application, asking him to hear and uphold the following conclusions: (i) to cancel the objected measures concerning the Stability Law; (ii) whenever deemed necessary, notwithstanding the power to declare their incompatibility, as objected before, to raise the following issues before the Constitutional Court and/or the Court of Justice: - before the Constitutional Court: to assess the constitutional legitimacy of Art. 1, par. 649, Law no. 190/14 with respect to its inconsistency with articles 3, 41, 42, 76, 97 and 117 (as regards the indirect rule set forth by art. 1, par. 1 of CEDU) of the Constitution, as well as with the principle of reasonableness of the Law; - before the Court of Justice, pursuant to Art. 267 of TFUE, in order to assess whether: 1) a regulation like the one included in Art. 1, par. 649, Law 190/14 that envisages that only a determined number and type of operators (entertainment) are subjected to a reduction in remuneration, while no reduction is envisaged for other operators acting in the same sector (other public games), is inconsistent with principles related to Government grants, pursuant to Art. 106 and 107 of TFUE, 2) a regulation like the one included in Art. 1, par. 649, Law 190/14 that, in breach of the principle of free competition, envisages that only a limited number of competitors is subjected to a reduction in remuneration and premiums for operators of gaming machines, while no reduction is envisaged for other operators of public games, is inconsistent with the principles of free competition, pursuant to Art. 101-102 and 106 of TFUE. The above is with all legal consequences, also as regards legal fees and expenses.

The Company will promptly appear in Court in due terms.

Civil proceeding

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

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

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

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

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

Legal proceedings related to the 2016 Stability Law

Administrative proceeding

With appeal deposited before the Lazio Regional Administrative Court (TAR), RO.MA. (together with other 33 operators of 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 December 28, 2015 ("2016 Stability Law"), as well as the above-mentioned primary rules with respect to their contents, while asking the Judge to cancel them and/or declare their incompatibility with the Italian Constitution and European Regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ROYAL GAMES S.R.L.

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

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

The next hearing is fixed on September 29, 2016. With order of September 28, 2016, the Court of Milan stated that the proceeding was discontinued by reason of the fact that the bankruptcy of Royal was declared by the Court of Potenza, with sentence of July 7, 2016. The company does not intend to submit a cross-claim in objection to the order for the entire amount receivable of Cogetech. Therefore, in the absence of cross-claim, the order would be final and would cancel the cross-claim submitted by Royal.

Taking into account the bankruptcy of Royal, the company will submit a request to be included within the bankruptcy liabilities, and will supply the curator with evidence of the complaint already submitted against the bankrupt company and its liquidators.

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

ROYAL GAMES S.R.L.

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

Once clarified the pleadings and submitted pleadings and briefs, with sentence of October 13, 2015 the Court of Castrovillari partially upheld the claim and determined the amount of the receivable (Euro 172,587.60). Royal and Forte were ordered to pay legal expenses. Royal objected the sentence. The hearing before the Court of Appeal of Catanzaro was fixed on September 15, 2016. The Company appeared before the Court in due terms. At the above-mentioned hearing, the Court of Appeal stated that the trial was discontinued by reason of the fact that the Court of Potenza, with sentence of July 7, 2016, declared the bankruptcy of Royal. The company does not intend to submit a cross-claim, given the fact that it is a sentence in appeal against a favourable sentence for Cogetech.

Following new capital surveys, properties will be seized to the detriment of Royal's liquidators.

The Company will appear before the Court in due terms. The two proceedings are separate, albeit they relate to the same issue (unfulfillment by Royal Games).

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

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

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

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

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

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

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

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

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

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

With notice no. 60192 of June 23, 2016, (“**ADM Note of June 23, 2016** “), ADM - Gaming Machines Office - asked Cogetech to pay Euro 438,716.93 to cover costs for the consistency assessments on gaming systems and VLT gaming machines performed by the technological partner SOGEI S.p.A. in the three-year period from March 20, 2013 to December 31, 2015, in relation to which ADM made annual prepayments in favour of SOGEI S.p.A..

Considering the fact that the above-mentioned notice did not allow for the inclusion of the adopted quantification criterion, with notice 883/2016/PU VLT of July 13, 2016, Cogetech submitted the request (i) to obtain a copy of all documents related to the aforesaid quantity (ii) to start a negotiation with ADM and (iii) to obtain the suspension of the payment terms. After viewing the records, with note of September 12, 2016 the Company required the review in calculating concession charges. In its turn, with note of October 10, 2016 and based on the claim submitted, the Administration partially amended the amount due in Euro 370,609.10, and inviting the company to make the related payment within 15 days from receipt of the notice. The objection against this measure was submitted to the Head of the State and, in the meantime, the payment was made with reserve.

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

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

On September 25, 2014, 3 notices were served by ADMS with a payment request of around Euro 9,000 as penalty for the late payment of amounts due in relation of the concession convention, related to July 2011. The related appeals were prepared and submitted. A new hearing has to be set. On July 13, 2015, the ADM Milan asked the company Cogetech Gaming Srl to pay the amounts related to the notices already served (including amounts notified to the company Cogetech S.p.A.) within 30 days from the notice. In the negative, the guarantee will be collected. Against this notice, the Company filed a self-defensive claim for the cancellation/revocation of the proceeding and prepared, and deposited before the TAR, an appeal against the above within the deadlines defined by law. While fixing the hearing on the merits, the ADMS of Brescia sent a notice for collection of the guarantee for the amounts due. These notices were immediately suspended by the same territorial ADMS that had sent them, according to the opinion expressed by ADMS general management by reason of the objection in place.

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

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

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

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

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

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

PRESTIGE POTENZA S.R.L.S.

Writ of summons (Court of Milan)

Following the disposal by Cogetech Gaming S.r.l., of the business related to the agency in Turin, Corso Potenza, the assignee company did not fulfil its obligation as per the contract as it did not perform all measures required to manage

and run the transferred business. Contrary to what *ex adverso* claimed, Cogetech Gaming promptly made available to the assignee all administrative documents that would permit to run the business. It therefore asked to terminate the sales contract in order to avert the occurrence of further costs.

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

- (a) the infringement of Cogetech Gaming S.r.l. upon the transfer of the business unit related to the agency in Turin, Corso Potenza;
- (b) the termination of the contract through and by the fault of Cogetech Gaming S.r.l. and payment of damages for unfulfillment of the sales agreement;
- (c) the order to pay damages of around Euro 18,000,000.00.

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

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

PRESTIGE BARBERA S.R.L.S.

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

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

- (a) the infringement of Cogetech Gaming S.r.l. upon the transfer of the business unit related to the agency in Turin, via Barbera;
- (b) the termination of the contract through and by the fault of Cogetech Gaming S.r.l. and payment of damages for unfulfillment of the sales agreement;
- (c) the order to pay damages of around Euro 12,600,000.00.

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

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

30. Sundry payables and other liabilities

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

thousands of Euro	September 30, 2016	December 31, 2015	Change
Sundry payables and other non-current liabilities			
<i>Tax payables</i>			
- instalments on flat-rate tax	183	317	(134)
- Tax Authorities - 770 notice	407	512	(105)
	590	829	(239)
<i>Due to social security institutions</i>			
- to INPS instalments	359	455	(96)
	359	455	(96)
<i>Other liabilities</i>			
- for instalments related to PREU for previous years	558	1,114	(556)
- for security deposit liabilities	3,820	3,820	0
- due to others	46	46	0
	4,424	4,980	(556)
Total Sundry payables and other non-current liabilities	5,373	6,264	(891)

Other current liabilities are composed as follows:

thousands of Euro	September 30, 2016	December 31, 2015 Restated	Change
Other current liabilities			
<i>Tax payables</i>			
- income taxes	3,284	41	3,243
- VAT	947	1,574	(627)
- Flat-rate tax	15,368	5,092	10,276
- instalments on flat-rate tax	143	140	3
- instalments on assessment notice	0	67	(67)
- Tax Authorities - 770 notice	175	149	26
- other tax liabilities	1,032	2,044	(1,012)
	20,949	9,107	11,842
<i>Due to social security institutions</i>			
- social security institutions	2,612	3,343	(731)
- social security institutions - instalments	76	93	(17)
	2,688	3,436	(748)
<i>Other liabilities</i>			
- due to ADM for PREU balances due	32,187	46,362	(14,175)
- due to ADM for security deposits ADI	2,912	6,882	(3,970)
- for instalments related to PREU for previous years	793	782	11
- remaining payables from segment to ADM for stability law	29,075	31,150	(2,075)
- due to winners and VLT jackpot reserve	14,248	13,717	531
- VLT required tickets	40	41	(1)
- due to ADM as concession fees	1,745	3,974	(2,229)
- due to gamblers for antepost betting	2,367	1,404	963
- due to gamblers for wins and refunds on national horse racing/sports forecast betting	2,716	1,844	872
- due to ADM for outstanding horse races	797	904	(107)
- due to ADM for required tickets	442	538	(96)
- due to ADM for Sports Forecast and National Horse Racing Betting Concession	996	1,339	(343)
- for SNAI Card gaming bards	6,585	7,007	(422)
- due to Online Gaming players (Skill/Casino/Bingo)	93	147	(54)
- due to players for wins in virtual events	306	439	(133)
- due to ADM	22,282	22,052	230
- due to employees and collaborators	5,496	5,105	391
- due to directors	231	376	(145)
- due to auditors	153	208	(55)
- for security deposits	10,320	10,504	(184)
- due to S.I.S. S.r.l.	0	6,457	(6,457)
- to Teseo S.r.l. in liquidation	383	383	0
- due to Parent Company	73	0	73
- due to others	5,333	4,886	447
	139,573	166,501	(26,928)
<i>Accrued liabilities and deferred income</i>			
- accrued liabilities	3,486	1,202	2,284
- deferred income	1,157	794	363
	4,643	1,996	2,647
Total Other current liabilities	167,853	181,040	(13,187)

Payables related to the flat-rate tax payable in instalments, amounting to Euro 326 thousand, of which Euro 183 thousand being due after one year and Euro 143 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

Payables related to the 770 notice totalling Euro 582 thousand, including Euro 407 thousand due after one year and Euro 175 thousand due within one year, were related to tax assessments performed by Tax Authorities on tax returns filed by using the 770 form for the tax periods 2011, 2012 and 2013. The above assessment highlighted the non-

payment of withholdings and additional taxes. The amount due was divided in instalments, each related to one year of non-payment. These instalments are regularly being paid.

The payables to social security institutions, related to instalments amounting to Euro 435 thousand, of which Euro 359 thousand being due after one year and Euro 76 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 horserace bets and on betting on events other than horse races, is fixed on December 20 of the same year and January 31 of the following year, with reference to the flat-rate tax due for the September-November and for December, respectively, as well as on August 31 and November 30, with reference to the flat-rate tax due for the January-April and May-August periods, respectively.

The PREU payables related to instalments for previous years, amounting to Euro 1,351 thousand, of which Euro 558 thousand being due after one year and Euro 793 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2009 and 2010 PREU tax.

Payables due to ADM for the Stability Law, amounting to Euro 29,075 thousand (of which Euro 11,152 thousand referred to SNAI S.p.A. and Euro 17,923 thousand to Cogetech S.p.A.), is 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 January 15, 2015. According to the aforesaid decree, the amount related to the distribution network for gaming machines referable to the companies of the SNAI Group is equal to Euro 84,832 thousand (of which Euro 37,792 thousand related to SNAI S.p.A. and Euro 47,040 thousand related to Cogetech S.p.A.), 40% of the annual amount to be paid within April 30, 2015, and the remaining 60% within October 31, 2015 (see Notes 10, 20 and 21). On the occasion of the maturity term of the first down payment expected on April 30, 2015, the amount theoretically due by the companies of the SNAI Group to ADM amounted to Euro 33,933 thousand (40% of the aforementioned Euro 84,832 thousand). On April 30, 2015 and November 2, 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. Between November 2015 and June 2016, the SNAI Group, through the company Cogetech S.p.A., paid further Euro 4.9 million which had been collected by operators in the network. This amount, entirely paid, was made up of both the reduced portion of premiums and remunerations directly attributable to the companies of the SNAI Group and the reduced portion of premiums and remunerations actually paid to the operators of the distribution segment of gaming machines (AWPs and VLTs). As of September 30, 2016, there are still receivables due from operators for unpaid amounts totalling Euro 29,075 thousand. In light of the considerations and opinions gathered, the Group believes that it is not co-responsible as regards the above amounts. The Group duly informed ADM on the operators, within the segment, who did not pay, and on the related amounts that are still pending.

The Other payables to ADM item, totalling Euro 22,282 thousand, relates to draw downs which were offset by receivables (acquired or original) from the Di Majo Award. On November 21, 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations were cancelled. When ADM requires the payment, SNAI will be entitled to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 22.

Payables to ADM for PREU balances due, in the amount of Euro 32,187 thousand, are calculated from the gaming machine (ADI) transactions.

Deferred income, of Euro 1,157 thousand, includes Euro 721 thousand, related to the portion of the grants to the MIPAAF (formerly ASSI) investment fund recognised as grants related to investments.

31. Trade payables

The trade payables are composed as follows:

thousands of Euro	September 30, 2016	December 31, 2015	Change
Trade payables			
- to suppliers	39,010	42,360	(3,350)
- to stables, jockeys and bookmakers	151	150	1
- to foreign suppliers	1,737	1,784	(47)
- advances paid to suppliers	(2,732)	(1,518)	(1,214)
- credit notes to be received	(310)	(411)	101
Total Trade payables	37,856	42,365	(4,509)

32. Overdue payables

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

(thousands of Euro)

Current liabilities	Balance as of September 30, 2016 of which overdue on September 30, 2016	
Financial liabilities	15,676	-
Trade payables	37,856	14,484
Tax payables	20,949	-
Due to social security institutions	2,688	-
Other liabilities	139,573	-
	216,742	14,484

The amounts due as of September 30, 2016, i.e. Euro 14,484 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after September 30, 2016. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response to overdue amounts.

33. Guarantees

In addition to what is stated regarding financial liabilities, the SNAI Group has issued guarantees for a total amount of Euro 194,617 thousand as of September 30, 2016 (Euro 188,845 thousand as of December 31, 2015).

With regards to the values disclosed in the financial statements as of December 31, 2015, the changes occurred in financial commitments are disclosed hereunder:

Bank	Beneficiary	Subject matter of the guarantee	Increases/(Decreases) as of September 30, 2016 (thousands of Euro)
Cariparma	ADM	Concessione Giorgetti - Cogetech	(101)
Unicredit	ADM	Concessione ADI - Cogetech	2,093
BPER	DGPA-SGR	Rental of Office in Milan - Cogetech	(100)
Unicredit	ADM	Concessione Bersani Ippica - Cogetech Gaming	7
BPM	IMMOBILIARE MEA SECONDA SRL	Rental of Office in Milan - SNAI	100
Bcc di Cambiano	Euronet	Ricariche Wind - SNAI	(180)
Bcc di Cambiano	Vodafone	Ricariche Vodafone - SNAI	(350)
Unicredit	Mediocredito Italiano	Ricariche TIM - SNAI	(1,000)
Bcc di Cambiano	Mediaset Premium	Ricariche Mediaset - SNAI	(50)
Unicredit	Postemobile	Ricariche Poste - SNAI	(60)
Unicredit	ADM	Concessione Bersani Sport - SNAI	(495)
BNL	ADM	Concessione Giorgetti - SNAI	(4,262)
BPM	ADM	Concessione Giorgetti - SNAI	4,262
Unicredit	ADM	Concessione ADI - SNAI	2,870
Unicredit	ADM	Concessione Bersani Ippica - SNAI	(18)
Unicredit	ADM	Concessione Monti - SNAI	(310)
Unicredit	ADM	Concessione GAD - SNAI	81
Unicredit	ADM	Concessione Giorgetti - SNAI	(72)
Unicredit	Festa Srl	Issue of credit cards - SNAI	(15)

BPM	Inland Revenue Office	VAT reimbursement Trenno 2015 - SNAI	153
Coface Assicurazioni	Ala 97 Spa	Rental of Settebagni (RM)	(24)
Cofitalia Confidi	Tax Authorities - Mantua Office	Guarantee of instalments of amounts due - SNAI	(502)
Cofitalia Confidi	Tax Authorities - Mantua Office	Guarantee of instalments of amounts due - SNAI	(116)
Gable Insurance	Mipaaf	Grant, horse-races in racetrack Milano Galoppo - TRENNO	2,464
Gable Insurance	Mipaaf	Grant, horse-races in racetrack Montecatini - TRENNO	356
Gable Insurance	Mipaaf	Grant, horse-races in racetrack Milano Trotto-TRENNO	1,041
Total			5,772

34. Related Parties

The CONSOB Notice No. 6064293 issued on July 28, 2006 requires that, in addition to the disclosures regarding related party transactions required by International Accounting Standard (IAS 24), information must be provided showing the impact of transaction or balances with related parties, as identified by IAS 24, on the statement of financial position and the statement of income.

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

Some SNAI Group companies have accounts with Banca MPS, Intesa San Paolo, Poste Italiane, Unicredit S.p.A. and Banco Popolare Società Cooperativa, which may be considered related parties to the SNAI Group. Such transactions are considered to be in the interest of the Group, are part of the ordinary course of business and are subject to the terms and conditions of the market.

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

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

thousands of Euro	September 30, 2016	% Incidence	December 31, 2015	% Incidence
Trade receivables:				
- from Global Games S.p.A.	4	0.00%	-	0.00%
	4	0.00%	-	0.00%
Other current assets:				
- from companies related to directors of SNAI S.p.A.	3	0.01%	-	0.00%
- from Teseo S.r.l. in liquidation	170	0.36%	-	0.00%
	173	0.37%	-	0.00%
Total Assets	177	0.02%	-	0.00%
Trade payables:				
- to companies related to directors of SNAI S.p.A.	3	0.01%	30	0.07%
	3	0.01%	30	0.07%
Other current liabilities:				
- to companies related to directors of SNAI S.p.A.	56	0.03%	-	0.00%
- to companies related to shareholders of SNAI S.p.A.	17	0.01%	-	0.00%
- to Global Games S.p.A.	1	0.00%	-	0.00%
- to Teseo S.r.l. in liquidation	383	0.23%	383	0.21%
	457	0.27%	383	0.21%
Total Liabilities	460	0.06%	413	0.05%

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

SNAI Group: Interim Management Report as of September 30, 2016 - Condensed Consolidated Interim Financial Statements

Nine months of 2016

thousands of Euro	First nine months of 2016	% Incidence	First nine months of 2015	% Incidence
Revenues from services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	2	0.00%	3	0.00%
	2	0.00%	3	0.00%
Other revenues				
- from Global Games S.p.A.	3	0.03%	3	0.01%
- from directors and companies related to Finscom S.r.l.	-	0.00%	1	0.00%
	3	0.03%	4	0.01%
Total revenues	5	0.00%	7	0.00%
Costs for services and chargebacks:				
- to companies related to directors of SNAI S.p.A.	6	0.00%	5	0.00%
- to companies related to auditors of SNAI S.p.A.	-	0.00%	1	0.00%
- to directors of Teleippica S.r.l.	27	0.01%	65	0.02%
- to directors and companies related to Finscom S.r.l.	45	0.01%	80	0.03%
- to auditors of Cogetech Gaming S.r.l.	28	0.01%	-	0.00%
	106	0.03%	151	0.05%
Other operating costs:				
- to companies related to directors of SNAI S.p.A.	10	0.02%	9	0.03%
	10	0.02%	9	0.03%
Total costs	116	0.02%	160	0.05%

QIII 2016

thousands of Euro	QIII 2016	% Incidence	QIII 2015	% Incidence
Revenues from services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	-	0.00%	1	0.00%
	-	0.00%	1	0.00%
Other revenues				
- from Global Games S.p.A.	1	0.03%	1	0.25%
- from directors and companies related to Finscom S.r.l.	-	0.00%	1	0.25%
	1	0.03%	2	0.49%
Interest income:				
Total revenues	1	0.00%	3	0.00%
Costs for services and chargebacks:				
- to companies related to directors of SNAI S.p.A.	2	0.00%	1	0.00%
- to companies related to auditors of SNAI S.p.A.	-	0.00%	1	0.00%
- to directors of Teleippica S.r.l.	-	0.00%	23	0.03%
- to directors and companies related to Finscom S.r.l.	-	0.00%	41	0.05%
- to auditors of Cogetech Gaming S.r.l.	11	0.01%	-	0.00%
	13	0.01%	66	0.08%
Other operating costs:				
- to companies related to directors of SNAI S.p.A.	4	0.03%	3	0.03%
	4	0.03%	3	0.03%
Total costs	17	0.01%	69	0.07%

Revenues from services and chargebacks and other revenues have a 0.01% effect on Earnings Before Interest, Tax, Depreciation and Amortisation in the first nine months of 2016 and 2015, while total revenues have an effect on the Profit (Loss) of the first nine months of 2016 of 0.07% (0.05% in the first nine months of 2015).

The costs for raw materials and consumables, the costs for services and chargebacks and other operating costs represented 0.12% of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) in the first nine months of 2016 (0.21% in the first nine months of 2015), while total costs are 1.54% of Profit (Loss) of the first nine months of 2016 (1.14% in the first nine months of 2015).

Remunerations received by managers with strategic responsibilities during the first nine months of 2016 amounted to Euro 1,384 thousand, including Euro 1,342 thousand as base remuneration and Euro 42 thousand as a variable portion.

As required by CONSOB's Notice ref. 10084105 of October 13, 2010, the following table shows relations with related parties of the Parent Company SNAI S.p.A. as of September 30, 2016.

thousands of Euro	September 30, 2016	December 31, 2015
Trade receivables:		
- from Global Games S.p.A.	4	-
- from Società Trenno S.r.l.	196	178
- from Finscom S.r.l.	32	106
- from Snai Rete Italia S.r.l.	19	849
- from Teleippica S.r.l.	64	66
- from Cogetech S.p.A.	425	-
- from Cogetech Gaming S.r.l.	6	-
Total Trade receivables	746	1,199
Other current assets:		
- from companies related to directors	3	-
- from Società Trenno S.r.l.	-	62
- from Teleippica S.r.l.	2,338	1,955
- from Cogetech S.p.A.	755	-
- from Snai Rete Italia S.r.l.	11	-
- from Teseo S.r.l. in liquidation	170	-
Total Other current assets	3,277	2,017
Current financial receivables:		
- from Società Trenno S.r.l.	6,574	5,940
- from Snai Rete Italia S.r.l.	2,554	2,949
- from Finscom S.r.l.	75	-
- from Cogetech S.p.A.	2,486	375
Total Financial receivables	11,689	9,264
Non-current financial receivables:		
- from Cogetech S.p.A.	110,738	110,738
Total Other financial assets	110,738	110,738
Total Assets	126,450	123,218
Trade payables:		
- to companies related to directors	3	30
- to Società Trenno S.r.l.	66	182
- to Finscom S.r.l.	5	8
- to Snai Rete Italia S.r.l.	13	16
- to Teleippica S.r.l.	385	333
- to Cogetech S.p.A.	580	20
Total Trade payables	1,052	589
Other current liabilities		
- to companies related to directors	56	-
- to Global Games S.p.A.	1	-
- to Società Trenno S.r.l.	7,202	6,747
- to Snai Rete Italia S.r.l.	2,631	1,195
- to Teleippica S.r.l.	89	-
- to Teseo S.r.l. in liquidation	383	383
- to Finscom S.r.l.	224	-
- to Cogetech S.p.A.	3	-
- to Cogemat S.p.A.	1	-
- to Cogetech Gaming S.r.l.	1	-
- to Azzurro Gaming S.p.A.	1	-
- to companies related to shareholders	17	-
Total Other current liabilities	10,609	8,325

Current financial liabilities:		
- to Cogetech S.p.A.	239	-
- to Teleippica S.r.l.	11,137	10,504
Total Current financial liabilities	11,376	10,504
Total Liabilities	23,037	19,418

thousands of Euro	First nine months of	
	2016	2015
Revenues from services and chargebacks:		
- from companies related to directors	2	3
- from Società Trenno S.r.l.	202	178
- from Snai Rete Italia S.r.l.	96	14
- from Finscom S.r.l.	6	6
- from Cogetech S.p.A.	94	-
Total Revenues from services and chargebacks	400	201
Other revenues		
- from Global Games S.p.A.	3	3
- from Società Trenno S.r.l.	398	423
- from Snai Rete Italia S.r.l.	12	2
- from Teleippica S.r.l.	406	431
- from Cogetech S.p.A.	461	-
- from Cogetech Gaming S.r.l.	6	-
- from Azzurro Gaming S.p.A.	2	-
- from Cogemat S.p.A.	2	-
- from Finscom S.r.l.	2	-
Total Other revenues	1,292	859
Interest income:		
- from Società Trenno S.r.l.	466	247
- from Snai Rete Italia S.r.l.	119	203
- from Teleippica S.r.l.	-	2
- from Cogetech S.p.A.	6,333	-
- from Finscom S.r.l.	4	-
Total interest income	6,922	452
Total revenues	8,614	1,512
Costs for services and chargebacks:		
- to companies related to directors	5	5
- to Società Trenno S.r.l.	278	365
- to Finscom S.r.l.	1,018	600
- to SNAI Rete Italia S.r.l.	7,091	736
- to Teleippica S.r.l.	2,394	2,258
- to Cogetech S.p.A.	34	-
- to companies related to auditors	-	1
Total Costs for services and chargebacks	10,820	3,965
Costs of seconded personnel		
- to Cogetech S.p.A.	1,115	-
Total Costs of seconded personnel	1,115	-
Other operating costs		
- to companies related to directors	10	9
- to Finscom S.r.l.	-	(24)
- to SNAI Rete Italia S.r.l.	-	(33)
- to Società Trenno S.r.l.	1	(3)
Total Other operating costs	11	(51)

Interest expense and fees

Interest expense to Cogetech S.p.A.	2	-
Interest expense to Teleippica S.r.l.	679	284
Interest expense to SNAI Rete Italia S.r.l.	14	-
Total Interest expense and fees	695	284
Total Costs	12,641	4,198

35. Financial risk management

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

On December 4, 2013, SNAI S.p.A. issued a bond loan for Euro 480,000 thousand comprising: Euro 320,000 thousand bearing a 7.625% interest and denominated as Senior Secured Notes, with maturity term on June 15, 2018, and Euro 160,000 thousand bearing a 12.00% interest and denominated as Senior Subordinated Notes with maturity term on December 15, 2018.

On November 27, 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. On July 28, 2015, during refinancing related to the merger of Cogemat, the above-mentioned revolving line was increased by Euro 25,000 thousand with UniCredit S.p.A. and J.P. Morgan Chase Bank, N.A as lending bank, with Euro 15,000 thousand and Euro 10,000 thousand, at the same terms and conditions set out in 2013. The credit line now amounts to a total of Euro 55,000 thousand. The increased amount could be used upon both the acquisition of the Cogemat Group, which occurred on November 19, 2015, and the fulfilment of conditions, which occurred on December 10, 2015. The Senior Revolving Facility had not been used as of September 30, 2016.

On July 20, 2015, the Board of Directors of SNAI S.p.A. approved the issue of a non-convertible, guaranteed, senior bond loan for a total principal up to Euro 110 million, with maturity on June 15, 2018. Bonds were initially subscribed by J.P. Morgan Securities plc. and Unicredit Bank AG, and then exclusively placed with qualified investors. The bonds are listed on the Euro MTF market, organised and managed by the Luxemburg Stock Exchange. 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 S.p.A. and/or its subsidiaries. The pricing of the guaranteed, non-convertible senior bond loan was defined on July 21, 2015, for a total principal up to Euro 110 million, with maturity term on June 15, 2018 at an issue price equal to 102.5%, and a coupon equal to 7.625% on yoy basis. The Bond issue and regulation took place on July 28, 2015.

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

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

Financial derivatives

As of September 30, 2016, the SNAI Group had no derivative instruments in place.

Liquidity Risk

Liquidity risk is defined as the possibility that the SNAI Group is unable to settle its payment commitments as a result of an inability to obtain new funds (funding liquidity risk), to sell assets in the market (asset liquidity risk), or is obliged to incur very high costs in order to settle those commitments. The SNAI Group's exposure to such risk is linked primarily to the commitments related to the issue of bond loans in 2013 and 2015, and the entering of a revolving facility unused as of September 30, 2016.

Interest rate risk

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

As of September 30, 2016, the SNAI Group was not subject to interest rate risk as bond loans are at a fixed rate. The aim of the interest rate risk management is to protect the SNAI Group's financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

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

Credit risk

In order to reduce and monitor credit risk, the SNAI Group has adopted organisational policies and instruments. Potential relationships with debtors are always subjected to 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 SNAI Group, resulting in a reliability assessment. This assessment is subject to review on a regular basis or, where appropriate, wherever new information emerges.

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

A number of relationships with debtors are initially secured with guarantees or deposits, granted in favour of the SNAI Group on the basis of reliability assessments. The relationships established are monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.

Receivables are regularly subjected to in-depth assessments. In particular, receivables are shown net of the relevant provisions for doubtful receivables. Accruals to the provision for doubtful receivables are recorded where there is objective evidence of difficulty in the 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 SNAI Group's other financial assets is in line with market conditions.

Exchange rate risk

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

Capital management

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

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

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

thousands of Euro	September 30, 2016	December 31, 2015 Restated
Interest-bearing loans	591,604	576,633
Non-interest-bearing loans	32	32
Financial liabilities	591,636	576,665
Trade payables and other liabilities	211,082	229,669
Financial Assets	(18,589)	(23,205)
Cash and cash equivalents	(141,565)	(107,588)
Net indebtedness	642,564	675,541
Shareholders' equity	128,105	135,625
Total shareholders' equity	128,105	135,625
Shareholders' equity and net indebtedness	770,669	811,166
Ratio net indebtedness/(shareholders' equity and net indebtedness)	83.4%	83.3%

36. Significant non-recurring events and transactions

In the first nine months of 2016, there are no non-recurring costs and revenues, as defined by CONSOB Resolution No. 15519 of July 27, 2006, as being those “components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business)”.

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

No atypical and/or unusual transactions took place during the first nine months of 2016.

38. Group structure

Ownership of the Group

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

Significant shareholdings in subsidiaries

	Percentage held		
	September 30, 2016	December 31, 2015	September 30, 2015
Società Trenno S.r.l. held by a sole quotaholder	100	100	100
Teleippica S.r.l.	100	100	100
SNAI Rete Italia S.r.l.	100	100	100
Finscom S.r.l.	100	100	100
Cogemat S.p.A.	100	100	0
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 Foundation	100	100	0

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

39. Net financial position

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

thousands of Euro	September 30, 2016	December 31, 2015
A. Cash on hand	1,311	1,338
B. Other cash and cash equivalents	140,254	106,250
<i>bank accounts</i>	139,850	105,478
<i>postal accounts</i>	404	772
C. Securities held for trading	1	1,484
D. Liquidity (A) + (B) + (C)	141,566	109,072
E. Current financial receivables	0	0
F. Current bank debts	135	71
G. Current portion of non-current indebtedness	0	0
H. Other current financial debt	15,541	3,493
- for interest on bond loans	15,164	2,166
- for acquisition of sports and horse racing concessions	32	32
- due to other lenders	345	1,295
I. Current financial indebtedness (F) + (G) + (H)	15,676	3,564
J. Net current financial indebtedness (I) - (E) -(D)	(125,890)	(105,508)
K. Non-current bank loans	0	0
L. Bonds issued	575,931	573,030
M. Other non-current loans	29	71
- due to other lenders	29	71
N. Non-current financial indebtedness (K) +(L) + (M)	575,960	573,101
O. Net financial indebtedness (J)+(N)	450,070	467,593

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 16,715 thousand, classified under item “current financial assets” on the statement of financial position, the special current account of Euro 95 thousand and the other non-current financial assets, equal to Euro 1,778 thousand (see Note 22).

With respect to the net financial indebtedness as of December 31, 2015, the net financial debt decreased by Euro 17,523 thousand. This decrease is for the most part due to the increase in cash and cash equivalents caused by the combined effect of the cash flow of ordinary activity and the investment activities, the retrocession of the guarantee deposit of the year 2015 by the Agenzia delle Dogane e dei Monopoli and an increase in the amount due for interest on bond loans accrued and allocated in the period.

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

thousands of Euro	September 30, 2016	December 31, 2015
A. Cash on hand	90	137
B. Other cash and cash equivalents <i>bank accounts</i>	79,070	53,841
<i>postal accounts</i>	78,666	53,069
	404	772
C. Securities held for trading	1	1
D. Liquidity (A)+(B)+(C)	79,161	53,979
E. Current financial receivables	11,689	9,264
- financial current account with subsidiaries	9,203	8,889
- interest on loan	2,486	375
F. Current bank debts	67	66
G. Current portion of non-current indebtedness	0	0
H. Other current financial debt:	26,895	13,973
- for interest on bond loans	15,164	2,166
- financial current account with subsidiaries	11,376	10,504
- for acquisition of sports and horse racing concessions	32	32
- due to other lenders	323	1,271
I. Current financial indebtedness (F)+(G)+(H)	26,962	14,039
J. Net current financial indebtedness (I)-(E)-(D)	(63,888)	(49,204)
K. Non-current bank loans	0	0
L. Bonds issued	575,931	573,030
M. Other non-current loans:	1	39
- due to other lenders	1	39
N. Non-current financial indebtedness (K)+(L)+(M)	575,932	573,069
O. Net financial indebtedness (J)+(N)	512,044	523,865

The net financial position of SNAI S.p.A. does not include the escrow accounts and restricted deposits or other non-current financial assets.

39.1 Covenants

As is customary for similar lending facilities, the current loan agreements (revolving credit line and bond loans), as described in Note 28, prescribe a number of obligations for the SNAI Group.

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

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

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 of September 30, 2016, the Company was compliant with commitments and covenants.

40. Financial Instruments and information on fair value

Measurements at fair value of Group financial instruments were reclassified in the 3 levels envisaged by IFRS 7. In particular, the hierarchy is as follows:

- Level 1: if the financial instrument is listed in an active market;
- Level 2: if the fair value is measured based on measurement techniques taking benchmark parameters that are observable on the market, other than prices of the financial instrument;
- Level 3: if the fair value is calculated based on measurement techniques taking benchmark parameters that are not observable on the market.

Measurement at fair value is performed based on methods classified under Level 2 of the fair value hierarchy, as defined by IFRS standards. The SNAI Group has adopted internal valuation models, generally used in financial practice. During the first nine months of 2016, no transfers occurred between fair value hierarchy levels.

The management has assessed that the carrying amount of cash on hand and short-term deposits, as well as trade receivables and payables, bank overdrafts and other current liabilities are consistent with fair value due to the short-term expiration terms of these instruments.

The fair value of financial assets and liabilities is disclosed for the amount which might be exchanged in a current transaction between willing parties, rather than in a forced sale or in a liquidation procedure. The following methods and assumptions have been adopted in measuring fair value:

- long-term accounts receivable and loans, both with fixed and variable rate, are measured by the SNAI Group based on parameters including interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Allocations for expected expenses on these receivables are accounted for based on the above evaluations. As of September 30, 2016, the carrying amount of these accounts receivable, net of allowances, was substantially similar to their fair value;
- the fair value of bonds resulting from financial leases and other non-current financial liabilities is measured through future cash flows discounted by applying the current rates available for accounts payable with similar terms, such as credit risk and remaining expiration terms;
- the fair value of SNAI Group's loans and borrowings is measured using the discounted cash flow method and a discount rate which would reflect the interest rate of the issuer at year-end. Insolvency risk for the SNAI Group as of September 30, 2016 was assessed as irrelevant;
- the fair value of debt instruments issued by the SNAI Group are measured using the discounted cash flow models based on current financing marginal rates for similar types of loans and maturities consistent with the residual useful life of the debt instruments in question.

41. Subsequent events

41.1 Signature of the merger deed into SNAI of the subsidiaries Cogemat, Cogetech, Cogetech Gaming and Azzurro Gaming and transfer of the registered office in the Municipality of Milan

On October 18, 2016, the merger deed was signed envisaging the incorporation into SNAI S.p.A. ("SNAI" or "Company" or "Issuer") of the directly and indirectly controlled companies Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A..

On October 19 and 20, 2016, the merger deed was recorded in the Companies Register of Milan and Lucca, respectively. The merger deed was effective on November 1, 2016, with retroactive accounting and fiscal effects as of January 1, 2016. The merger resulted in no share capital increases by the Issuer, nor amendments to its Articles of Association. The merger has no effect on the consolidated financial statements of SNAI S.p.A. at the merged companies are already fully consolidated.

Following the merger, in fact, all activities that were currently carried out by merged companies in the segment of wagers of gaming machines and bets, will be concentrated within SNAI S.p.A.. The latter will therefore take the place of the aforesaid companies in their assets and liabilities, without interruption.

During the meetings of the Board, held on April 26, 2016, the Boards of Directors of SNAI S.p.A. and of its directly or indirectly controlled companies, Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A., approved the merger project aimed at incorporating the companies into SNAI S.p.A.. This decision was considered as

the natural evolution of the streamlining programme set up after the transaction, effective on November 19, 2015 aimed at simplifying the structure and better exploit current operating, administrative and corporate synergies within the Group. On June 9, 2016 the Board of Directors of SNAI S.p.A. and of the companies that are entirely, directly or indirectly investees (Cogemat S.p.A., Cogetech S.p.A., Cogetech Gaming S.r.l. and Azzurro Gaming S.p.A.), resolved the merger. In addition to the above, on October 18, 2016, by effect of powers conferred by Art. 15 of the Articles of Association and Art. 2365, par. 2, of the Italian Civil Code, SNAI's Board of Directors resolved to move the headquarters from Porcari (Lucca), Via Luigi Boccherini no. 39, to the Municipality of Milan, Piazza della Repubblica no. 32.

With the aim of improving the Group's operating and managerial efficiency, this resolution was effective at the finalization date of the aforesaid merger (i.e. November 1, 2016), thanks to the fact that the Company can benefit from greater market opportunities, also connected with the status of listed company, as well as from a more attractive financial centre, while reorganizing (also logistically) the Group's assets at best.

The resolution, and the new text of the Articles of Association were deposited for recording in the Companies Register, within the terms envisaged by Art. 2436 of the Italian Civil Code and made available to the public, as well as transmitted to CONSOB and Borsa Italiana S.p.A., in due terms and form, as provided for by Law and applicable regulations.

41.2 Signature of the merger deed for the incorporation of Finscom S.r.l. into SNAI Rete Italia S.r.l.

On October 24, 2016, the merger deed was signed to incorporate the subsidiary Finscom S.r.l. ("Incorporated company" and "Finscom") into the subsidiary SNAI Rete Italia S.r.l. ("Incorporating company" or "SRI").

On October 26, 2016, the merger deed was recorded in the relevant Companies Register. The merger deed was effective on November 1, 2016, with retroactive accounting and fiscal effects on January 1, 2016.

As both the Incorporating Company and the Incorporated Company are already SNAI's investees (either directly or indirectly), and therefore the condition precedent for the so-called "simplified" merger are present, pursuant to Art. 2505 of the Italian Civil Code, no exchange ratio or modality of share assignment had to be determined. Due to the merger, SRI did not modify its own share capital, issued no new shares and therefore no change was reported on the composition of shareholders of the Incorporating Company (that is still fully owned by SNAI). With the signature of the merger deed, shares representing 100% of the share capital of the Incorporated Company were therefore cancelled, without being replaced. SRI's Articles of Association underwent no changes.

The transaction is part of a broader process for the restructuring of the companies belonging to the SNAI Group, and aims to simplifying its structure and better exploit current operating, administrative and corporate synergies of the group. The merger has no effect on the consolidated financial statements of SNAI S.p.A. as the merged companies are already fully consolidated.

41.3 Refinancing of existing obligations through the issue of a new non-convertible, guaranteed, senior bond loan with concurrent launch of a tender offer for already existing bonds

On October 24, 2016, the Board of Directors of SNAI S.p.A. approved the refinancing of the company's outstanding bonds (hereinafter the "Existing Bonds" i.e. guaranteed, senior bonds with a nominal amount of Euro 320 million and a maturity term in 2018, the subordinated senior bonds, with a nominal amount of Euro 160 million and a maturity term in 2018 and the guaranteed, senior bonds with a nominal amount of Euro 110 million and a maturity term in 2018) through the issue of a new non-convertible, guaranteed, senior bond loan, for a total amount in principal of Euro 570 million, with maturity term in 2021 (the "New Bonds") and the concurrent tender offer related to the Existing Bonds (hereinafter the "Tender Offer"). The same Board of Directors approved a new revolving senior loan agreement, for uses up to a total amount in principal of Euro 85 million (hereinafter the "New Revolving Line"), to replace the previous revolving senior line totalling Euro 55 million.

The pricing decisions on the New Bonds were made on October 26, 2016, namely: (i) a fixed rate, guaranteed senior bond loan, for a total amount in principal of Euro 320 million, with 6.375% coupon and an issue price equal to 100.0% (the "Fixed Rate Guaranteed Senior Bonds") and (ii) a variable rate, guaranteed senior bond loan, for a total amount in principal of Euro 250 million, with coupon indexed at three-month Euribor rate (with a floor equal to 0%), in addition to 6.0% yoy and an issue price equal to 99.0% (the "Variable Rate Guaranteed Senior Bonds"). The issue and regulation of New Bonds took place on November 7, 2016 with a maturity term on November 7, 2021.

Meanwhile, on November 1, 2016, SNAI S.p.A. announced the results of the Tender Offer for all Existing Bonds issued in 2013 and 2015.

The main terms and conditions of the New Bonds are described in the supplement (pricing supplement) to the "Preliminary Offering Memorandum", available on the Company's website, www.snaigroup.it, under "Investor Relations", where also the "Final Offering Memorandum" will appear, as soon as it is available. The same section also includes the results of the Tender Offer of the Existing Bonds.

The New Bonds, for which a listing request was made on the Euro MTF market, organized and managed by the Luxembourg Stock Exchange, have been initially subscribed by Deutsche Bank AG, London Branch, UniCredit Bank AG, Goldman Sachs International and BNP Paribas, and will then be exclusively placed with qualified investors. The same Institutions subscribed the new Revolving Line, for a total of Euro 85 million.

Gains from the issue of New Bonds, together with further cash resources of the Company, were used by the Company to finance: (i) the Tender Offer, launched on October 24, 2016, in relation to the Existing Bonds, (ii) the cancellation and final repayment of all Existing Bonds, which were not purchased through the Tender Offer, and (iii) some commissions and fees connected to the above.

41.4 Tax assessment report

In June 2015, the Regional Directory of the Inland Revenue Office of Tuscany began a general tax assessment on SNAI for the year 2012. During the tax assessment, the Directory extended the same to financial years 2011 and 2013. On October 14, 2016, the assessment came to an end with the sending of a Tax assessment report which included the observations related to IRES (corporate income tax), IRAP (regional business tax) and VAT, with reference to taxable years 2011, 2012 and 2013. The company is evaluating the above-mentioned Tax assessment report, in order to submit its comments within 60 days from receipt of the same, as set out by law. It should be noted that to date the company has received no tax assessment notice yet. Therefore, risks connected to the objections raised by the Tax Directory in the Tax assessment report cannot be clearly defined. In general, the company deems that the remarks included in the Tax assessment report are groundless, and reserves to object them in due terms and places.

41.5 Transfers of Business Units

On October 14, 2016, with deed of the Notary Public Elena Terrenghi in Milan, agreements were signed for the sale of the Business Units consisting in the shops located in: Corsico (sales price: Euro 70 thousand), Cesano Maderno (sales price: Euro 60 thousand), Bresso (sales price: Euro 20 thousand) and Novate Milanese (sales price: Euro 40 thousand).

On October 17, 2016, with deed of the Notary Public Elena Terrenghi in Milan, agreements were signed for the sale of the Business Units consisting in the shops located in: Paderno Dugnano (sales price: Euro 60 thousand), Bologna via Saffi (sales price: Euro 60 thousand), Bologna via Panigale (sales price: Euro 90 thousand), Bologna via Amaseo (sales price: Euro 20 thousand) and Gorgonzola (sales price: Euro 49 thousand).

On October 24, 2016, with deed of the Notary Public Elena Terrenghi in Milan, agreements were signed for the sale of the Business Units consisting in the shops located in: Palermo via Petrarca (sales price: Euro 10 thousand), Palermo via Bersagliere (sales price: Euro 10 thousand), Palermo via Streva (sales price: Euro 10 thousand) and Bagheria (sales price: Euro 10 thousand).

On October 25, 2016, with deed of the Notary Public Elena Terrenghi in Milan, agreements were signed for the sale of the Business Units consisting in the shops located in: Marsala (sales price: Euro 10 thousand) and Sesto San Giovanni (sales price: Euro 50 thousand).

In any case, the parties agreed that the agreement would be effective upon the issue of licenses (condition precedent), within 180 days from the signature of the agreement (the "Term"), in favour of the Transferee, as per Art. 88 TULPS (the "Licences") for the exercise of marketing activities of public and legal gaming through video terminal as per the agreement. The goods and relations transferred are listed in the related notary deeds. At the reporting date of these financial statements, the conditions precedent have not been fulfilled yet.

41.6 Negotiations with Trade Unions

Lastly, negotiations were started with trade unions, at the national and local level, aimed at defining the post-merger organization of the former Cogemat Group into SNAI S.p.A., both in terms of overall headcount and the location of functions in the three operating headquarters of Porcari, Rome and Milan. The next meeting will be held on November 21, 2016, in Rome. On this occasion, the number of workforce in excess will be indicated for its inclusion in the procedure of unemployment benefit. Moreover, the possibility of matching the reorganization process with the use of temporary lay-off schemes will be also evaluated. Therefore, given the fact that, before the merger, Cogetech and Snai were substantially performing the same activities, albeit included in the "service" and "industrial" segments, respectively, and that the same business will be carried out by the post-merger company, we are evaluating, with the central Management of INPS (National Social Security Institution) and the Ministry of Labour, the post-merger correct inclusion of the company in the social security schemes. This assessment is necessary in order to define, together with Trade Unions, the correct type of temporary lay-off schemes to be used. The procedure of unemployment benefit (trade unions and administration) will last 75 days maximum.

41.7 Government/Local Entities Conference

The Unified Conference was called to discuss, amongst other things, the possible agreement areas between the government and local entities, in order to regulate and harmonize standards concerning legal gaming in Italy. The meeting, scheduled on October 27, 2016, during which the Conference should have continued the discussion on this issue, in the attempt of reaching an agreement, was postponed to an indefinite date.

As envisaged by the 2016 Stability Law, this agreement is condition precedent for the launching of the tender for the renewal of concessions on betting, with expiration date of June 30, 2016, and which are currently being extended. The date for the new tender has not yet been fixed.

Other Disclosures

These explanatory notes are supplemented by the information reported in the annexes:

- 1) Composition of the SNAI Group as of September 30, 2016;

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

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

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

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

Milan, November 14, 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 Consolidated Interim Financial Statements are consistent with the information contained in the documents, books and accounting records.

SCHEDULE 1

Composition of the SNAI Group as of September 30, 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	100.00%	(1)	Organization and operation of horse races and the training centre	Line-by-line basis
- Cogemat S.p.A.	Milan (MI)	35,176	100.00%	(2)	Control and coordination holding	Line-by-line basis
- Cogetech S.p.A.	Milan (MI)	10,000	100.00%	(3)	Trading of horse racing and sports betting through its own concessions - electronic operation and dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - remote skill games - trading of value added services	Line-by-line basis
- Cogetech Gaming S.r.l.	Milan (MI)	101	100.00%	(4)	Trading of horse racing and sports betting through its own concessions	Line-by-line basis
- Azzurro Gaming S.p.A.	Milan (MI)	5,000	100.00%	(5)	Management of gaming machines	Line-by-line basis
- Fondazione IziLove Foundation	Milan (MI)	100	100.00%	(6)	Non-profit company - Social solidarity and charity	Line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	100.00%	(7)	Design and planning of betting management software systems	Shareholders' Equity
- Teleippica S.r.l. held by a sole quotaholder	Porcari (LU)	2,540	100.00%	(8)	Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers	Line-by-line basis
- SNAI rete Italia S.r.l. held by a sole quotaholder	Porcari (LU)	10	100.00%	(9)	Acquisition of shareholdings in companies managing sales points, as well as at the centralisation and management of direct sales points	Line-by-line basis
- Finscom S.r.l.	Mantua (MN)	25	100.00%	(10)	Direct management of sales points	Line-by-line basis
Affiliates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(11)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30.00%	(12)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	1,006	30.7%	(13)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connex S.r.l. in liquidation	Porcari (LU)	82	25.00%	(14)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
- C.G.S. Consorzio Gestione Servizi in liquidation	Milan (MI)	22	50.00%	(15)	Accounting, administrative, IT and advertising services for the members of the consortium	Shareholders' Equity
Other companies:						
- 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 July 27, 2006, and on September 15, 2006 Ippodromi San Siro S.p.A. contributed its "horse racing operations" business unit.
- (2) Wholly-owned subsidiary of SNAI S.p.A., acquired on November 19, 2015 through transfer.
- (3) Wholly-owned subsidiary through Cogemat S.p.A., acquired with the merger of the Cogemat Group on November 19, 2015.
- (4) Wholly-owned subsidiary through Cogemat S.p.A., acquired with the merger of the Cogemat Group on November 19, 2015.
- (5) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the merger of the Cogemat Group on November 19, 2015.
- (6) Wholly-owned subsidiary through Cogetech S.p.A., acquired with the merger of the Cogemat Group on November 19, 2015.
- (7) Incorporated on November 13, 1996, and acquired by SNAI S.p.A. on December 30, 1999. On August 3, 2001, Teseo S.r.l. entered winding-up. Under the composition with creditors procedure since September 20, 2016.
- (8) Acquired by third parties on May 5, 2000. On October 2, 2003, the extraordinary shareholders' meeting changed the company's name from SOGEST Società Gestione Servizi Termali S.r.l. to Teleippica S.r.l., and also its corporate purpose. Over the course of 2005, the extraordinary shareholders' meeting resolved to increase the share capital to Euro 2,540,000. On January 31, 2011 SNAI S.p.A. acquired control of 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. SNAI S.p.A. owns 100% of the share capital of Teleippica S.r.l.
- (9) On April 3, 2015, the new company named SNAI Rete Italia S.r.l., 100% owned by SNAI S.p.A., was incorporated with share capital of Euro 10 thousand, 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 April 1, 2015, SNAI S.p.A. ("SNAI") entered with Finscom S.r.l. in liquidation, ("Finscom") and the shareholders of Finscom, a Debt Restructuring Agreement, pursuant to Art. 67, par. 3, lett. d) of the Bankruptcy Law. In execution of the aforesaid agreement, an extraordinary shareholders' meeting of Finscom was held on 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 waive by Finscom's shareholders to their right of subscribing the reserved share capital

increase as per Art. 2481-bis of the Italian Civil Code, SNAI subscribed and released the reserved share capital increase by offsetting the amounts receivable from Finscom with the entire principal (total amount of Euro 2,662,145.02). SNAI Rete Italia S.r.l. subscribed and released the reserved share capital increase through the payment in cash of Euro 2,363,438.09. At the end of the aforesaid transactions, Finscom's share capital was now entirely held by the new shareholders SNAI and SNAI Rete Italia S.r.l., in the percentage of 52.97% and 47.03%, respectively.

- (11) On January 12, 2011, the shareholders' meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, to reduce the share capital to Euro 944,520.00. SNAI S.p.A.'s shareholding remained 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) Shareholding already owned (30.70%) by Ippodromi San Siro S.p.A. (former Società Trenno S.p.A.), now merged into SNAI S.p.A..
- (14) On December 7, 2000, the shareholding in Connex S.r.l. was acquired through the purchase of option rights from former shareholders, and the subsequent subscription (and payment) of the share capital increase reserved to the holders of those rights. On February 4, 2015, the shareholders' meeting resolved to wind up the company. Under bankruptcy procedure since October 2015.
- (15) Acquired on April 8, 2015 through the purchase of the company Finscom S.r.l.
- (16) Shareholding of 2.44% acquired on July 19, 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 November 19, 2015.

