Reports and Financial Statements as of 31 December 2012

DIRECTORS' REPORT ON THE COMPANY AND THE GROUP

SNAI S.p.A.
Registered office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital € 60,748,992.20 entirely paid in
Tax Code No. 00754850154 – VAT Code 01729640464
Companies Register of Lucca and Lucca R.E.A. No. 00754850154

Table of Contents

CORPORATE BODIES AND AUDITING FIRM

Board of Directors
(in office from the Shareholders' Meeting held on 27 April 2012 until the Shareholders' Meeting that will approve the financial statement for period ended 31.12.2014; as the result of the resignation of 4 Directors on the date of the shareholders' meeting for the approval of the financial statement, the entire board of directors will automatically cease to hold office pursuant to article 14 of the By-laws)

Chairman	**Giorgio Sandi***
Managing Director	**Stefano Bortoli**
Directors	**Stefano Campoccia ***
	Antonio Casari
	Gabriele Del Torchio **
	Luca Destito *****
	Giorgio Drago
	Carlo D'Urso **
	Nicola Iorio
	Rohan Maxwell
	Enrico Orsenigo *****
	Massimo Perona
	Roberto Ruozi **
	Sergio Ungaro *******

Executive in charge of the preparation of the company's financial documents **Marco Codella**

Board of Statutory Auditors
(in office from the Shareholders' Meeting held on 29 April 2011 until the Shareholders' Meeting that will approve the financial statement for period ended 31.12.2013)

Chairman	**Massimo Gallina**
Acting Auditors	**Maurizio Maffeis**
	Enzio Bermani

Auditing Firm
(Mandate granted by the Shareholders' Meeting held on 15.05.2007 for a term of 9 years)
Reconta Ernst & Young S.p.A.

**	Members of the Control and Risks Committee, of which Stefano Campoccia is Chairman*
***	Members of the Compensation Committee, of which Carlo D'Urso is Chairman*
****	Co-opted by the Board of Directors on 3 August 2012, to replace the resigning directors Francesco Ginestra and Maurizio Ughi, in office until the next Shareholders' Meeting*
***** Co-opted by the Board of Directors on 30 November 2012, to replace the resigning director Marco Pierettori, in office until the next Shareholders' Meeting*

Note:
On 29 January 2013 Antonio Casari resigned from his position as member of the Control and Risks Committee and kept his role as director.

On 13 March 2013, the resignation of the Managing Director Stefano Bortoli was announced, with effect as of the end of the next Shareholders' Meeting for the approval of the financial statement for year 2012.

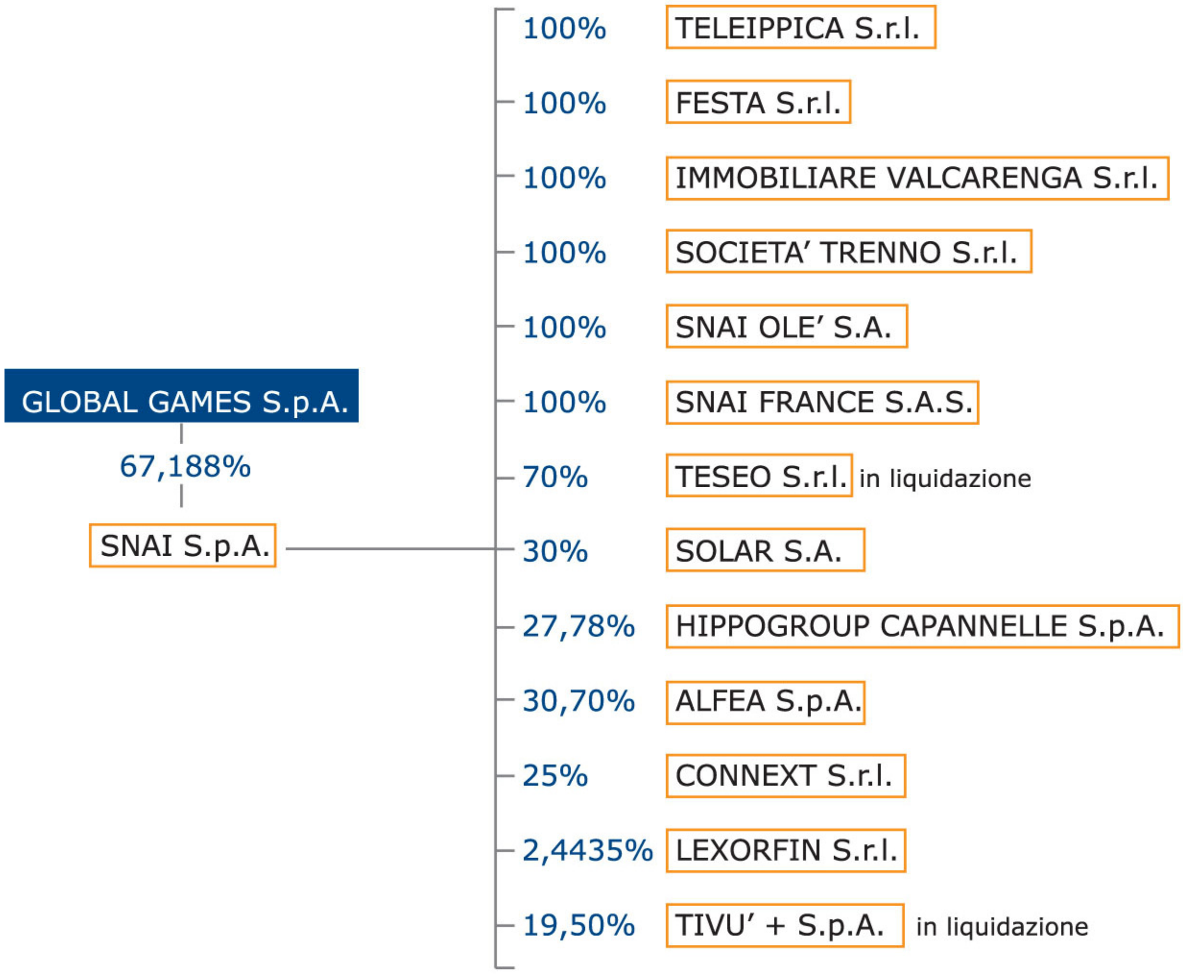
DIRECTORS' REPORT ON THE COMPANY AND THE GROUP

A. SNAI Group

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

The Group is controlled by Global Games S.p.A. – a company owned in equal shares by Global Entertainment S.A. (the share capital of which is wholly owned by Investindustrial IV L.P.) and by Global Win S.r.l. (controlled by Venice European Investment Capital S.p.A.), - which holds 67.188% of SNAI S.p.A.'s share capital.

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



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

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

B.1 Key indicators of the Group's performance

As a necessary condition to better understand the trend in business performance, it is first of all necessary to recall that in 2012:

- the payout on sports bets (the percentage of players' winnings) was the highest in recent history on the Italian market, essentially due to the results for September 2012. In such context, SNAI obtained an amount lower than the average of all other operators, but in any case higher than in 2011;
- starting in April, the Barcrest VLT platform was not operational and the testing of the replacement platform Novomatic was completed successfully by OGEI only at the end of December 2012. This limited the growth of such business segment for the company;
- the cost reduction actions completed only partially compensated for the impact on revenues caused by the two above-mentioned events.

Consequently, the key performance indicators of the Group's performance are as follows (in thousands of Euro, with the exception of amounts per share).

- **KPI**

figures in thousands of €	*Year 2012*	*Restated year 2011*	*Variations €*	*%*
Revenues	514,372	558,540	(44,168)	(8)
EBITDA	57,387	74,723	(17,336)	(23)
EBIT	(13,890)	(5,060)	(8,830)	>100
Before tax earnings	(56,464)	(45,182)	(11,282)	(25)
Net earnings	(42,560)	(40,527)	(2,033)	(5)
Base earnings/diluted per share	(0.36)	(0.35)	(0.01)	(3)

- **EBITDA and EBIT**

EBITDA 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 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 sector as performance indicators. EBITDA and EBIT must not be considered alternative to cash flows as a measure of liquidity. As defined, EBITDA and EBIT may not be comparable with the same indicators used by other companies.

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

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

EBITDA

figures in thousands of €	*Year 2012*	*Restated year 2011*	*Variations €*	*%*
EBIT	(13,890)	(5,060)	(8,830)	>100
+ Amortizatons of Tangible Fixed Assets	20,413	21,747	(1,334)	(6)
+ Amortizations of Intangible Fixed Assets	38,779	43,526	(4,747)	(11)
+ Net losses of value	556	9,495	(8,939)	(94)
+ Other amounts set aside on reserve	11,529	5,015	6,514	>100
EBITDA	**57,387**	**74,723**	**(17,336)**	**(23)**
Non-recurring revenues and costs	7,135	15,877	(8,742)	(55)
Operating EBITDA	**64,522**	**90,600**	**(26,078)**	**(29)**

Before tax earnings

	Year	Restated Year	Variations	
figures in thousands of €	*2012*	*2011*	*€*	*%*
EBIT	(13,890)	(5,060)	(8,830)	>100
+ Earnings of companies consolidated using the net equity method	1,451	(4)	1,455	>100
+ Financial proceeds/interest earned	998	2,227	(1,229)	(55)
+ Financial costs/interest paid	(45,012)	(42,335)	(2,677)	(6)
+ Net earnings (losses) on exchange rates	(11)	(10)	(1)	(10)
Before tax earnings	**(56,464)**	**(45,182)**	**(11,282)**	**(25)**

Let us recall that the Group has adopted in advance and with retroactive effect, the revised version of IAS standard 19 (Benefits for employees). Consequently, based upon the application of such standard, the data for the previous year were re-determined consistently in line with such standard ("Re-stated"). This application led to an impact on net results of operations for 2011 in the amount of Euro 203 thousands.

B.2 Non-recurring revenues and costs

Summarized below are the non-recurring revenues and costs incurred for operating purposes (the Explanatory Notes state the non-recurring revenues and costs as envisaged under Consob Resolution No. 15519 of 27.07.2006).

Non-recurring revenues and costs	**SNAI**	**SNAI Group**
thousands of Euro	**Year 2012**	**Year 2012**
Non-recurring revenues and costs		
Costs related to non-recurring consultancies	1,310	1,462
Administrative Sanctions for PVC and PREU	0	0
Capital loss on the sale of furniture and furnishings	105	105
Allocation ot the receivable write-down reserves	3,680	3,680
Leaving incentives and one-off costs related to employees	528	1,555
Other	239	333
Impact on Ebitda	**5,862**	**7,135**

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

The allocation to the income statement for year 2012 of non-recurring costs relates mainly to non-repetitive consultancies in connection with extraordinary transactions and the malfunctioning of the Barcrest VLT Platform, amounts allocated to the reserves for the write-down of receivables of dubious recoverability related to legal actions. The total of non-recurring revenues and costs impacts upon consolidated EBITDA for a total amount of Euro 7.1 million, as better indicated in the table.

B.3 Investments

The SNAI Group has sustained the following investments:

a. Tangible fixed assets in a total amount of € 16,540 thousand, broken down as follows:

	€ /000
Land and buildings	1,544
Plants and machinery	11,671
Industrial and commercial equipment	60
Other assets	3,264
fixed assets in progress and down payments	1

b. Intangible fixed assets in a total amount of € 5,269 thousand, broken down as follows:

	€ /000
Patents and copyrights	951
concessions, licenses and the like and other fixed assets	1
Others	1,554
Fixed assets in progress	2,763

B.4 Economic Financial Performance of the Company and the Group

The Group's EBITDA declined in 2012 with respect to the previous year, falling from Euro 74.7 million to Euro 57.4 million. This reduction was caused by the unfavorable trend in the sports betting segment amounting to 82.7%, up from 78.3% in 2011 which generated a change with respect to the previous year of approximately Euro 39 million. This payout result should be compared with the overall result for the sector that is even more negative (82.9%) and this caused a significant impact on revenues and EBITDA. The contraction in EBITDA is also attributable to the block on the Barcrest VLT platform which took place in April 2012 resulting from the issuance of a unusual peak in tickets that only appeared to be winning.
On 21 September 2012, AAMS revoked the conformity certificate of the Snai-Barcrest 01 gaming system, giving rise to a prohibition on the collection of gaming wagers through such system. SNAI has already duly fulfilled the requirements provide under the legal framework and the Concession Agreement aimed at the removal of the Barcrest devices from points of ale.

The proceedings that had been aimed at terminating the Concession were concluded with protocol ruling no. 2013/8734/Giochi/ADI served upon the Company on 22 February 2013 pursuant to which AAMS established that it did not have to proceed to revoke the Concession, and merely applied a number of contractual penalties, for a total amount of approximately Euro 1.5 million.
After the disactivation of the Barcrest platform, the Company promptly took a number of actions aimed at mitigating any inconvenience resulting from such disactivation and, among other things, entered into an agreement with a new supplier (Novomatic) for an additional VLT gaming System, the installation of which began in January 2013. SNAI has initiated against Barcrest and its controlling company legal proceedings for compensation for all damages resulting from the malfunctioning on 16 April 2012.

The Group's revenues fell from Euro 558.5 million to Euro 514.3 million. In addition to what has already been described, SNAI's performance was also adversely affected by the further contraction in totalizator Horse Race Betting, National Horse Racing and Pool Betting, due to the general crisis affecting the Italian horse racing sector.

The group's EBIT is negative in the amount of Euro 13.9 million as opposed to a negative EBIT in the amount of Euro 5.1 million for year 2011.

The net result for the Group in year 2012 is negative in the amount of Euro 42.6 million.

The SNAI Group's net financial indebtedness, as of 31.12.2012, amounts to Euro 369.6 million, up from Euro 354.4 million at yearend 2011. As compared with the close of the previous year, the net financial indebtedness increased by Euro 15.2 million, as the result of, inter alia, the additional delay accumulated by the former ASSI (transferred to the Ministry of agricultural, food and forestry policies, by a decree issued by the same Ministry in concert with the Minister of the Economy and Finance on 31 January 2013, hereinafter, the former ASSI) in payments to Società Trenno S.r.l. and Teleippica S.r.l..

The parent company SNAI S.p.A. generated revenues in the amount of Euro 497.7 million, down 6.5% with respect to Euro 532.4 million in 2011. EBITDA totals Euro 61.3 million (Euro 70.7 million in 2011), while EBIT is negative in the amount of Euro – 7.4 million (Euro -5.8 million in 2011). The result for the year is negative in the amount of Euro -46.1 million (Euro -41.6 million in 2011) to be attributed essentially to the reasons already stated with regard to the Group's results of operations.

B.5 The Company’s Balance Sheet

SNAI S.p.A. - Total income statement

figures in thousands of Euro	**Year 2012**	**Year 2011**	**Restated Year 2011 (*)**
Revenues from sales and services	493,492	527,708	527,708
Other revenues and proceeds	4,230	4,719	4,719
Change in inventory of finished and semi-finished products	(3)	2	2
Raw materials and consumables	(879)	(993)	(993)
Costs for services and the use of third party assets	(384,329)	(403,072)	(403,072)
Costs for personnel	(19,855)	(18,702)	(18,702)
Other operating costs	(32,436)	(39,691)	(39,691)
Costs for internal capitalized works	1,096	765	765
Earnings before interest, taxes, depreciation and amortization	**61,316**	**70,736**	**70,736**
Depreciation and amortization	(57,705)	(71,584)	(71,584)
Other allocations set aside	(11,053)	(4,957)	(4,957)
Earnings before interest and taxes	**(7,442)**	**(5,805)**	**(5,805)**
Proceeds and costs from shareholdings	(6,771)		(1,642)
Financial proceedings/earned interest	1,215	2,775	2,727
Financial costs/interest paid	(45,042)	(42,301)	(42,301)
Total financial costs and proceedings/interest paid/earned	**(50,598)**	**(41,168)**	**(41,216)**
BEFORE TAX EARNINGS	**(58,040)**	**(46,973)**	**(47,021**
Income taxes	11,977	5,415	5,428
Earnings (loss) for the year	**(46,063)**	**(41,558)**	**(41,593)**
Other components of the total income statement	(3,059)	(3,970)	(3,935)
Total net earnings (loss) for the financial year	**(49,122)**	**(45,528)**	**(45,528)**

(*) The balances for year 2011 have been re-stated following the anticipated application of the revised IAS 19.

SNAI S.p.A. - Balance sheet/financial condition

figures in thousands of Euro	31.12.2012	31.12.2011	Restated 31.12.2011 (*)
ASSETS			
Not-current assets			
Owned real estate, equipment of machinery	128,571	121,724	121,724
Assets under financial lease	17,273	27,992	27,992
Total tangible fixed assets	**145,844**	**149,716**	**149,716**
Goodwill	231,088	231,088	231,088
Other intangible assets	151,233	184,929	184,929
Total intangible fixed assets	**382,321**	**416,017**	**416,017**
Sharehldings in subsidiaries and affiliates	17,942	15,762	15,762
Shareholdings in other companies	46	46	46
Total shareholdings	**17,988**	**15,808**	**15,808**
Taxes paid in advance	62,372	44,157	44,157
Other non-financial assets	2,146	1,362	1,362
Total non-current assets	**610,671**	**627,060**	**627,060**
Current assets			
Inventories	3,194	2,554	2,554
Trade receivables	67,591	63,267	63,267
Other assets	36,657	38,157	38,157
Current financial assets	14,190	5,497	5,497
Cash and cash equivalents	9,589	37,130	37,130
Total current assets	**131,221**	**146,605**	**146,605**
TOTAL ASSETS	**741,892**	**773,665**	**773,665**
LIABILITIES AND NET SHAREHOLDERS' EQUITY			
Net Shareholders' Equity			
Share capital	60,749	60,749	60,749
Reserves	148,651	193,268	193,303
Earnings (loss) for the year	(46,063)	(41,558)	(41,593)
Total Net Shareholders' Equity	**163,337**	**212,459**	**212,459**
Non-current liabilities			
Severance indemnity (*Trattamento di fine rapporto*)	1,643	1,477	1,477
Non-current financial liabilities i	344,425	281,184	281,184
Deferred taxes	47,496	44,433	44,433
Provisions for risks and future costs	24,560	15,468	15,468
Miscellaneous debts/payables and other non-current liabilities	1,939	5,569	5,569
Total non-current liabilities	**420,063**	**348,131**	**348,131**
Current liabilities			
Trade payables/debts	33,219	20,158	20,158
Other liabilities	86,813	74,893	74,893
Current financial liabilities	22,360	42,274	42,274
Current quotas in long-term loans	16,100	75,750	75,750
Total financial liabilities	**38,460**	**118,024**	**118,024**
Total current liabilities	**158,492**	**213,075**	**213,075**
TOTAL LIABILTIES AND NET SHAREHOLDERS' EQUITY	**741,892**	**773,665**	**773,665**

(*)The balances for year 2011 have been re-stated following the anticipated application of the revised IAS 19.

SNAI S.p.A. - Cash flow statement

	figures in thousands of Euro	2012	2011	Restated 2011 (*)
A.	**CASH FLOW FROM OPERATIONS**			
	Earnings (loss) for the year	(46,063)	(41,559)	(41,593)
	Amortizations and write-downs	57,705	71,584	71,584
	Net variation in assets (liabilities) due to taxes paid in advance (deferred)	(13,991)	(10,867)	(10,881)
	Variation in risks provisions	9,300	5,993	5,993
	(Capital gains) capital losses from non-current asstes (including shareholdings)	391	1,494	1,494
	Net variation in miscellaneous non-current commercial assets and liabilities and other variations	(4,415)	(1,516)	(1,516)
	Net variation in miscellaneous commercial assets and liabilities and other variations	21,517	(78,867)	(78,867)
	Net variation in severance indemnity	(122)	(228)	(180)
	CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	**24,322**	**(53,966)**	**(53,966)**
B.	**CASH FLOW FROM INVESTMENT ACTIVITIES**			
	Investments in tangible assets (-)	(15,575)	(5,522)	(5,522)
	Investment in tangible assets (-)	(5,193)	(4,822)	(4,822)
	Acquisition of shareholdings in subsidiaries	(2,180)	(10,935)	(10,935)
	Proceeds received from the sale of tangible, intangible and other non-current assets	32	66	66
	CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES (B)	**(22,916)**	**(21,213)**	**(21,213)**
C.	**CASH FLOW FROM FINANCIAL ASSETS**			
	Variation in financial receivables and other financial assets	(8,693)	26,027	26,027
	Variation in financial liabilities	(35,177)	(43,389)	(43,389)
	Repayment of loan for the purchase of "concessions" business units	0	(228,000)	(228,000)
	Opening of loan	21,000	354,750	354,750
	Repayment of loan	(5,750)	(1,150)	(1,150)
	Variation in instalment debts owed to PAS for hte purchase of "concessions" business units	(327)	(6,465)	(6,465)
	CASH FLOW GENERATED (ABSORBED) BY FINANCIAL ASSETS (C)	**(28,947)**	**101,773**	**101,773**
D.	**CASH FLOW FROM ASSETS THAT HAVE BEEN TERMINATED/ARE INTENDED TO BE SOLD (D)**	**0**	**0**	**0**
E.	**TOTAL CASH FLOW (A+B+C+D)**	**(27,541)**	**26,594**	**26,594**
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	**37,130**	**10,536**	**10,536**
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**	**0**	**0**	**0**
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**	**9,589**	**37,130**	**37,130**
	RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):			
	CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL DEBTS AT THE START OF THE PERIOD, DETAILED AS FOLLOWS:			
	Cash and cash equivalents	37,130	10,536	10,536
	Bank overdrafts	0	0	0
	Terminated operating assets	0	0	0
		37,130	**10,536**	**10,536**
	CASH AND CASH EQUIVALENTS AFTER DEDUCTRING SHORT-TERM FINANCIAL DEBTS AT THE END OF THE PERIOD, DETAILED AS FOLLOWS:			
	Cash and cash equivalents	9,589	37,130	37,130
	bank overdrafts	0	0	0
	Terminated operating assets	0	0	0
		9,589	**37,130**	**37,130**

(*) The balances for year 2011 have been re-stated following the anticipated application of the revised IAS 19.

SNAI S.p.A. - Net financial indebtedness

	(figures in thousands of Euro)	31.12.2012	31.12.2011
A.	Cash	99	194
B.	Other liquidities	9,490	36,935
	- banks	9,474	36,928
	- postal accounts	16	7
C.	Securities held for trading	1	1
D.	**Liquidity (A)+(B)+(C)**	**9,590**	**37,130**
E.	Current financial receivables	3,948	5,496
	- financial account vis-à-vis subsidiaries	3,941	5,240
	- escrow account	7	256
F.	Current bank debts	10,038	17,655
G.	Current portion of non-current indebtedness	16,100	75,750
H.	Other current financial debts:	12,322	24,619
	- financial account vis-à-vis subsidiaries	2,278	4.384
	- for the purchase of business units for betting, horse racing and sports concessions	155	365
	- for the purchase of agency shareholdings and business units	0	291
	- debts owed to other lenders	9,889	19,579
I.	**Current financial indebtedness (F)+(G)+(H)**	**38,460**	**118,024**
J.	**Current net financial indebtedness (I)-(E)-(D)**	**24,922**	**75,398**
K.	Non-current bank debts i	328,866	259,337
L.	Bonds issued	0	0
M.	Other non-current debts:	15,559	21,847
	- debts owed to other lenders	6,153	16,254
	- for the purchase of concessions for horse racing and sports betting	0	118
	- interest rate swap	9,406	5,475
N.	**Non-current financial indebtedness (K)+(L)+(M)**	**344,425**	**281,184**
O.	**Net financial indebtedness (J)+(N)**	**369,347**	**356,582**

B.6 The Group's Balance Sheet and Income Statement

SNAI Group - Total consolidated income statement

figures in thousands of Euro	**Year 2012**	**Year 2011**	**Restated year 2011 ***
Revenues from sales and services	512,683	557,401	557,401
Other revenues and proceeds	1,689	1,139	1,139
Variation in inventories of finished and semi-finished products	(3)	2	2
Raw materials and consumables	(1,206)	(1,451)	(1,451)
Costs of services and the use of third party assets	(389,335)	(409,860)	(409,860)
Costs for personnel	(33,840)	(33,336)	(33,336)
Other operating costs	(33,697)	(39,937)	(39,937)
Costs for capitalized internal works	1,096	765	765
Earnings before interest taxes depreciation and amortization	**57,387**	**74,723**	**74,723**
Amortization and depreciation	(59,748)	(74,768)	(74,768)
Other allocations sed aside on reserves	(11,529)	(5,015)	(5,015)
Earnings before interest and taxes	**(13,890)**	**(5,060)**	**(5,060)**
Proceeds and costs from shareholdings	1,451	(4)	(4)
Financial proceeds/earned interest	1,002	2,524	2,231
Financial costs/interest paid	(45,027)	(42,362)	(42,349)
Total financial costs and proceeds - interest paid/earned	**(42,574)**	**(39,842)**	**(40,122)**
BEFORE TAX EARNINGS	**(56,464)**	**(44,902)**	**(45,182)**
Income taxes	13,904	4,578	4,655
Earnings (loss) for the year	**(42,560)**	**(40,324)**	**(40,527)**
Other components of the total income statement	(3,561)	(3,963)	(3,760)
Total earnings (loss) for the year	**(46,121)**	**(44,287)**	**(44,287)**
Attribuibile a:			
Earnings (loss) for the year pertaining to the Group	(42,560)	(40,324)	(40,527)
Earnings (loss) for the year pertaining to third parties	0	0	0
Total earnings (loss) for the year pertaining to the Group	(46,121)	(44,287)	(44,287)
Total earnings (losses) for the year pertaining to third parties	0	0	0
Earnings (loss) per base share in Euro	(0.36)	(0.35)	(0.35)
Earnings (loss) per diluted share in Euro	(0.36)	(0.35)	(0.35)

(*)The balances for year 2011 have been re-stated following the anticipated application of the revised IAS 19.

SNAI Group - Consolidated balance sheet and financial condition

figures in thousands of Euro	31.12.2012	31.12.2011	Re-stated 31.12.2011 (*)
ASSETS			
Non-current assets			
Owned real estate, equipment and machinery	134,819	128,968	128,968
Assets under financial lease	17,294	28,065	28,065
Total tangible fixed assets	**152,113**	**157,033**	**157,033**
Goodwill	231,531	231,531	231,531
Other intangible assets	151,409	185,082	185,082
Total intangible fixed assets	**382,940**	**416,613**	**416,613**
Shareholdings assets using the net equity method	3,264	1,813	1,813
Shareholdings in other companies	46	46	46
Total shareholdings	**3,310**	**1,859**	**1,859**
Advanced taxes	63,879	45,132	45,132
Other non-financial assets	2,341	1,466	1,466
Total non-current assets	**604,583**	**622,103**	**622,103**
Current assets			
Inventory	3,384	2,755	2,755
Trade receivables	91,837	76,391	76,391
other assets	36,364	38,971	38,971
current financial assets	10,249	257	257
cash and cash equivalents	11,010	40,282	40,282
Total current assets	**152,844**	**158,656**	**158,656**
TOTAL ASSETS	**757,427**	**780,759**	**780,759**
LIABILITIES AND NET SHAREHOLDERS' EQUITY			
Net shareholders' equity pertaining to the Group			
Share capital	60,749	60,749	60,749
Reserves	146,040	189,925	190,128
Earnings (loss) for the year	(42,560)	(40,324)	(40,527)
Total Net Shareholders' Equity for the Group	**164,229**	**210,350**	**210,350**
Net Shareholders' Equity pertaining to third parties			
Total Net Shareholders' Equity	**164,229**	**210,350**	**210,350**
Non-current liabilties			
Severance indemnity	5,190	5,033	5,033
Non-current financial liabilities	344,436	281,207	281,207
Deferred taxes	48,150	45,168	45,168
Provisiosn for risks and future costs	25,136	15,568	15,568
Miscellaneous debts and other non-current liabilities	1,951	5,583	5,583
Total non-current liabilities	**424,863**	**352,559**	**352,559**
Current liabilities			
Trade debts/payables	44,239	27,589	27,589
Other liabilities	87,901	76,567	76,567
Current financial liabilities	20,095	37,944	37,944
Current quotas in long-term loans	16,100	75,750	75,750
Total financial liabilities	**36,195**	**113,694**	**113,694**
Total current liabilities	**168,335**	**217,850**	**217,850**
TOTAL LIABILITIES AND NET SHAREHOLDERS' EQUITY	**757,427**	**780,759**	**780,759**

(*)The balances for year 2011 have been re-stated following the anticipated application of the revised IAS 19.

SNAI Group - Consdoliated cash flow statement

	figures in thousands of Euro	31.12.2012	31.12.2011	Restated 31.12.2011 (*)
A.	**CASH FLOW FROM OPERATIONS**			
	Earnings (loss) for the year pertaining to the Group	(42,560)	(40,324)	(40,527)
	Earnings (loss) for the year pertaining to third parties	0	0	0
	Amortizations and depreciation	59,748	74,768	74,768
	Net variation in assets (liabilities) for advaced taxes (deferred taxes)	(14,414)	(10,885)	(10,962)
	Variation in risks provisions	9,776	6,848	6,848
	(Capital gains) capital losses from the realization of non-current assets	409	1,458	1,458
	Quota of earnings pertaining to shareholdings valued using the net equitymethod (-)	(1,451)	49	49
	Net variation in non-current miscellaneous commercial assets and liabilities and other variations	(4,507)	(1,512)	(1,512)
	Net variation in current commercial assets and liabilities and other variations	14,516	(73,328)	(73,328)
	Net variation in severance indemnity	(824)	(451)	(171)
	CASH FLOW GENERATED (ABSORBED) FROM OPERATIONS (A)	**20,693**	**(43,377)**	**(43,377)**
B.	**CASH FLOW FROM INVESTMENT ACTIVITIES**			
	Investments in tangible assets (-)	(16,540)	(6,103)	(6,103)
	Investments in intangible assets (-)	(5,269)	(4,881)	(4,881)
	Proceeds received from the sale of tangible, intangible and other non-current assets	37	207	207
	CASH FLOW GENERATED (ABSORVED) BY INVESTMENT ACTIVITIES (B)	(21,772)	(10,777)	(10,777)
C.	**CASH FLOW FROM FINANCIAL ASSETS**			
	Variation of the financial receivables and other financial assets	(9,992)	8,718	8,718
	Variation in financial liabilities	(33,123)	(45,343)	(45,343)
	Estinzione finanziamento per acquisto rami d'azienda "concessioni"	0	(228,000)	(228,000)
	Repayment of loan	(5,750)	(1,150)	(1,150)
	Opening/disbursement of loan	21,000	354,750	354,750
	Variation in instalment-based debts owed to PAS for the purchase of "concessions" business units	(328)	(6,465)	(6,465)
	CASH FLOW GENERATED (ABSORBED) BY FINANCIAL ASSETS (C)	(28,193)	82,510	82,510
D.	**CASH FLOWS FROM TERMINATED ASSETS /ASSETS INTENDED TO BE SOLD (D)**			
E.	**TOTAL CASH FLOW (A+B+C+D)**	(29,272)	28,356	28,356
F.	**INITIAL NET FIANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	40,282	11,926	11,926
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**			
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**	**11,010**	**40,282**	**40,282**

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

CASH AND OTHER LIQUIDITIES ON A NET BASIS AFTER DEDUCTING SHORT-TERM FINANCIAL DEBTS AT THE START OF THE PERIOD DETAILED AS FOLLOWS:

Cash and cash equivalents	40,282	11,926	11,926
Bank overdrafts			
Terminetd operating assets			
	40,282	**11,926**	**11,926**

CASH AND OTHER LIQUIDITIES ON A NET BASIS AFTER DEDUCTING SHORT-TERM FINANCIAL DEBTS AT THE END OF THE PERIOD DETAILED AS FOLLOWS:

Cash and cash equivalents	11,010	40,282	40,282
Bank overdrafts			
Terminated operating assets			
	11,010	**40,282**	**40,282**

(*)The balances for year 2011 have been re-stated following the anticipated application of the revised IAS 19.

Gruppo SNAI - Net financial indebtedness

Thousands of Euro	**31.12.2012**	**31.12.2011**
A. Cash	204	322
B. Other liquidity	10,806	39,960
bank	*10,789*	*39,952*
postal account	*17*	*8*
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	**11,011**	**40,283**
E. Current financial assets	**7**	**256**
- escrow account (Escrow Account)	7	256
F. Current bank debts	10,038	17,655
G. Current portion of non-current indebtedness	16,100	75,750
H. Other current financial debts	10,057	20,289
- for the purchase of the agency shareholding and business unit	0	291
- for the purchase of horse racing and sports betting concessions	155	365
- debt owed to other lenders	9,902	19,633
I. current financial inebtedness (F) + (G) + (H)	**36,195**	**113,694**
J. Net current financial indebtedness (I) - (E) -(D)	**25,177**	**73,155**
K. Non-current bank debts	328,866	259,337
L. Bonds issued	0	0
M. Other non-current debts	15,570	21,870
- other debts	6,164	16,277
- for the purchase of horse racing and sports betting concessions	0	118
- Interest rate Swap	9,406	5,475
N. Non-current financial indebtedness (K) +(L) + (M)	**344,436**	**281,207**
O. Net financial indebtedness (J) + (N)	**369,613**	**354,362**

B.7 Table linking the results for year ended 31.12.2012 and the Group's net shareholders' equity with the analogous figures for the parent company

	Results for year		Net shareholders' equity	
thousands of Euro	**31.12.2012**	**Re-stated 31.12.2011***	**31.12.2012**	**Re-stated 31.12.2011***
Financial Statement SNAI S.p.A.	**(46,063)**	**(41,593)**	**163,337**	**212,459**
Excesses in net assets, including the results of operation with respect to the figures related to the consolidated companies	62	(2,105)	(2,593)	(9,703)
- dividends distributed during the year		(2,156)		
Valuation of shareholdings in affiliates using the net equity method in which:				
- earnings for year	1,451	16	1,197	(254)
- dividends distributed during year		(45)		
Cancellation/transfer depreciation/appreciation shareholdings	2,511	4,625	2,023	7,062
Cancellation/transfer of write-down of intragroup recievables	43	707	750	707
Other adjustments	(564)	24	(485)	79
Total pertaining to the Group	**(42,560)**	**(40,527)**	**164,229**	**210,350**
Quota pertaining to the minority shareholders				
Total consolidated financial statement	**(42,560)**	**(40,527)**	**164,229**	**210,350**

(*)The balances for year 2011 have been re-stated following the anticipated application of the revised IAS 19.

C. SNAI's market and performance

C.1 SNAI's performance in the operating context

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

In 2012, the Group raised gaming wagers totaling Euro 5.5 billion and continued to enrich its gaming services including sports and horse race betting and Slot Machine (AWPs) entertainment devices, to which Videolotteries (VLTs) have been added. Such devices, thanks to the jackpot formula, allow for jackpots of up to Euro 500,000, Remote Gaming (Gioco a Distanza or GAD), betting via internet, online poker, through tournament and cash game modalities, skill and casino games and on-line slot machines.

The Company's operations in the Gaming and Betting segment are conducted and regulated under concessions granted by the Regulatory Authority AAMS – *Amministrazione Autonoma dei Monopoli di Stato* thorugh European Tender Procedures completed from time to time.

The betting acceptance network of the Snai Points is the broadest network in the territory of Italy and is comprised of over 4,000 gaming points, of which approximately 3,000 with a direct gaming concession of the Company and the remaining ones with the supply of specialized services to the Company's Concession Holder clients. On this basis, the Company reaffirms its position as leader in the betting sector, with a market share (in terms of gross wagers) of the SNAI brand of 31.07% for sports betting and 54.5% for horse race betting.
The sports betting segment at the national level achieved wagers of Euro 3,941 million, up 2.37% with respect to 2011.

As an additional decline in the horse race betting market, totalizator and national horse racing bets fell 26.2% with respect to 2011, as the result of the general crisis which hit the horse race sector and the approximately 40 days of strike in the sector which occurred at the beginning of the year.

The entertainment devices segment - ADI (AWPs and VLTs) shows, in its entirety, wagers amounting to Euro 38.4 billion (over the first 10 months of 2012).

The Company has a consolidated position in entertainment devices – ADI – with wagers of Euro 2.84 billion. As regards the VLTs, the Company in April 2012 had to immediately block the VLTs on the Barcrest platform. This led to a decrease in the average number of devices on the market.
The Remote Gaming activities of betting, Skill and Casino Games are supplied to customers who are holders of a "Snai Card" brand gaming account through the Company's website www.snai.it and with support from Call Center and Television services provided by the companies belonging to the SNAI Group. In the GAD segment, the Company offers on its website online poker tournaments using various modalities and numerous other games such as blackjack, backgammon, *burraco, tresette, briscola, scopa,* solitaire card games, dice poker, as well as others.
The digital segment has proved to be an important channel to render SNAI an increasingly multi-platform business.
Year 2012 brought an increase in market share in both casino and skill games, as well as betting, driven first and foremost by a growth in players within the portal snai.it; collection of sports betting wagers rose by +11%, approaching +9.7% of the market and collection of sports betting in digital games rose by + 71.6% (with a +12% rise in expenses paid by players). The overall figure amounts to a rise of +16.7% with respect to 2011.
In August 2012, a sport app was launched for tablets and smartphones, with a positive response by the market in terms of both downloads and wagers. The downloads registered over the months following the launch approach 200,000.
The Company in December 2012 launched the on-line slot machines, achieving a market share considerably higher than the average of other on-line games.
The national GAD market shows an outlay exceeding Euro 749 million. The Company registered wagers of Euro 0.46 billion for tournament games and cash games and Euro 0.47 billion for casino and bingo games.

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

The periodic disclosure/communications instruments have been improved and developed, including the mailing of them-based communications aimed at providing both immediate information, as well as in-depth updates on operating matters related to day-to-day operations; newsletters with various periodic intervals dedicated to the main initiatives taken by the Company, trends in the sector-specific legal framework and technology and events and sponsorships and national and international sector-based trade fairs.

Communications addressed to clients and the final customers are supported by external relations and press office activities directed mainly at the media and the public at large and have been further bolstered with editorial projects dedicated to the horse race and sports betting sector, as well as support activities for the dissemination of Remote Gaming and awareness-raising with betters on lawful and responsible gaming.

C.2 SNAI: market shares

Figures in millions of Euro

Gaming or betting	2012	QM. 2012	2011	QM. 2011	Diff. %
Snai Horse Race Betting	**411**	57.48%	582	59.57%	-2.09%
Totalizator bets	377		543		
Multiple reference bets	8		10		
Fixed quota bets	25		28		
Tris or National Horse Race betting	**140**	47.24%	178	45.29%	1.95%
HORSE RACE-BASED GAMING	**551**	**54.50%**	**760**	**55.52%**	**-1.02%**
QF sports betting	1,225	31.07%	1,266	32.88%	-1.81%
Pool betting for soccer	6,9	ND	9,6	13.28%	
"Big" bets	0,6	ND	0,8	25.00%	
SPORTS-BASED GAMING	**1,232**	**ND**	**1,276**	**32.52%**	**ND**
AWPs + VLTs	**2,837**	***6.90%**	**2,358**	**5.25%**	**ND**
CASH CASINO GAMES	**848**	****6.46%**	**397**	**6.40%**	**ND**
SKILL GAMES	**66**	****5.87%**	**127**	**5.64%**	**ND**
ON-LINE BINGO	**11**	****7.81%**	**14**	**7.41%**	**ND**
TOTAL SNAI	**5,545**	**ND**	**4,932**	**6.16%**	

Notes:

Source of SNAI data is console http://blackhawk/controlli/login.php
and Oracle BI (http://192.168.102.21:9704/analytics/saw.dll?Answers&Path)
The Cash and Casino Games have been active since July 2011
* QM out of total movements from January through October 2012
** QM out of total outlays from January through October 2012

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

In 2012, despite the positioning of new competitors active on the Italian market, introduced through the Bersani Law, SNAI maintains its leadership in the horse race and sports betting segment and confirms its position, as it has in previous years, as one of the main concession holders for AWPs.

The market share in the horse race betting sector is significant, amounting to 54.5%.
In sports betting, where there is a particularly high presence of competitors, market share amounts to 31.07%. As regards the AWPs and VLTs, lastly, the market share amounts to 6.9% (updated as of October 2012).

As highlighted in the foregoing tables, horse race betting contracted significantly at the national level, due to the general crisis affecting the horse race sector, which led to 40 days of strikes over the period 1 January through 10 February 2012, and the lower payout with respect to other types of betting, coupled with an average tax withholding of 28.9% on payments achieved.
The wagers in the sports betting market recorded in 2012 a 2.37% increase over 2011, accrued in the second half of the year also thanks to the level of restitution of winnings that turned out to be higher than expected.

The close of year 2012 shows an overall collection of gaming wagers for the SNAI network (betting in the SNAI Points and in the affiliated lottery/betting offices, in the Bersani and Giorgetti Network gaming points, pool betting, AWPs and GAD) amounting to Euro 5,545 million, up from Euro 4,931.6 million in 2011.

C.2.2 Horse race betting

Bets made on horse races at points related to SNAI (betting agencies, stores and corners of the “Bersani” gaming network and the “Giorgetti” gaming network) in 2012 amounted to Euro 551 million, a volume that was 27.5% lower than the 2011 figure (Euro 760 million), in line with the trend on the market in which SNAI is leased, with a market share of 54.5%.
An analysis of the collection of wagers on “national” horse races (winning, coupled, Tris, Quarté and Quinté, playable in both agencies and the Gaming Stores and Points) has a value of Euro 140 million, down 21.3% with respect to 2011, raising the market share to 47.2%. As regards multiple reference horse race bets, the total wagers on the market amount to Euro 14 million; wagers for fixed quota horse race betting amount to Euro 48 million, thanks to the entry of a new competitor only in the on-line segment.

Horse race betting is also affected by withholdings (tax withholdings applied to the horse race sector) which bring winnings to a percentage lower than 70% of wagers and make it difficult for betters to enjoy an overall gratification. The market needs to achieve greater appeal and concrete communications through satellite channels dedicated to horse race betting, the contents of which are managed by the former ASSI, the entity in charge of the entire Italian horse racing segment.
Horse race gaming, one of the market segments which faces the most competition from other types of gaming available in our country, was not able to reinvent itself with respect to the past once new gaming modalities were introduced.

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

Betting on events other than horse races is comprised of gaming on Olympic sports, events related to motor racing (Formula 1, Motomondiale, Superbike), and other events (Miss Italia, Oscars, Sanremo Festival, television reality shows, etc.).
In this segment, SNAI wagers in 2012 were slightly down -3.4%, falling from 1,276 in 2011 to Euro 1,232 million. The market share for fixed quota bets now amounts to 31.07%. The contraction is completely due to the performance of the indirect network. However, SNAI still maintains its role as market leader, despite the entry of new competitors in the remote gaming sector.

C.2.4 Entertainment devices

Over the period in question, testing operations on the grant by AAMS of the new Concession for the construction and operation of the network for the electronic management of lawful gaming through fun and entertainment, envisaged under article 110, paragraph 6, of the T.U.L.P.S., were concluded successfully.

Consequently, on 13 November 2012, AAMS notified the Company of the final award of the Concession and since it had already delivered the required documentation, on 20 March 2013, the company entered into the concession agreement.

In general, over the course of 2012, the company essentially reconfirmed its presence on the national segment of network concession holders both by number of AWP (Amusement With Prize) connected devices and by entry into operation of VLTs (or Video Lottery Terminals), even outside its market of reference consisting in the network of Snai Points for the collection of betting wagers.

Indeed, the AWPs are mainly characterized by their transversal availability to a vast consumer base in the general public who frequent highly diversified types of points of sale.

- Bars
- Tabacco Shops
- Gaming Points and Bet Acceptance Points
- Public Merchants

The VLTs are terminals that are controlled in real time by the centralized gaming system of the concession holder at the national totalizator and are available, for a selected clientele, at authorized premises (merchants subject to regulations and authorized pursuant to articles 86 and 88 of the T.U.L.P.S.):

- Bingo rooms
- Gaming Agencies and Stores
- Rooms exclusively dedicated to entertainment devices
- Gaming rooms arranged with separate areas.

The Company has issued in the AWP segment approximately 30,000 operation clearances in over 9,000 businees throughout the territory, and is the holder of 5,052 rights for the collection of wagers through VLTs.

After the period in question, it placed approximately 3,000 VLTs in over 800 premises with the Gaming System of the Spielo platform in operation. At the beginning of 2013, the installation of the VLTs of the Novomatic system was commenced.

In April 2012, a malfunctioning occurred, which led to SNAI's disactivation of the VLT Platform of the Barcrest system which involved approximately 1,450 terminals.

On 28 September 2012, the Company received from AAMS the ruling revoking the conformity certificate of the Barcrest gaming platform.
Following the disactivation of the Barcrest platform, the Company performed the related formalities envisaged under the legal framework and the Concession Agreement aimed at the removal of the Barcrest devices from the sales locations, which action was concluded in November, and promptly took a number of actions aimed at mitigating the inconvenience resulting from such disactivation.
SNAI brought against Barcrest and its controlling company legal proceeding seeking compensation for all damages resulting from the malfunctioning that occurred in April 2012.

Overall revenues from the ADI Division (AWPs & VLTs) as of 31 December 2012 amount to Euro 297 million up from Euro 288 million in 2011.
Similarly, wagers volumes amounted to Euro 2,837 million up from Euro 2,358 last year.

C.2.5 Digital Area

The digital segment represents an important channel to help SNAI become an increasingly multi-platform-based business.
Year 2012 was characterized by a slight increase in the market share both in casinos and in skill games and in betting driven especially by the growth in players within the snai.it portal; wagers from sports betting rose by +11% as opposed to 9.7% for the market and wagers from digital games rose by + 71.6% (players' outlay rose by +12%). The overall figure is up +16.7% with respect to 2011.
In August 2012, the sports App for tablets and smartphones was launched: the market's response was positive in terms of both downloads and wagers. The downloads registered over the months following the launch are close to 200,000.
In December 2012, the new slot machines were launched, for the first time supported by significant investments in keyword advertising, which enabled snai.it to attain an estimated market share exceeding 10% in the on-line slot machine segment.
The 2013 strategy will focus on the growth of the product range in order to attract new players and allow the customer base to achieve an increasing level of broad availability of gaming opportunities.
The development of the entire portal is in progress, in order to improve the customer experience and support a marketing strategy by customer segments.
Investments will be incurred for the development of products, especially on mobile devices, coupled with a development of the entire organization of this area from both a qualitative and quantitative standpoint.
The investments in advertising in order to support snai.it will also rise, with a view to achieving further growth in the market.

D. MATERIAL EVENTS

D.1 Guaranteed minimums

On 12 January 2012, 226 requests for the payment of guaranteed minimums for years 2006-07-08-09-10, plus 2 additional requests were served by AAMS upon the Horse Race Agency Monteverde Srl – for a total amount of Euro 25,000 thousand based upon an assumption that it has expressly fulfilled requirements with regard to "safeguarding modalities" envisaged under art. 38, paragraph 4 of Law Decree no. 223/06 that until now were not fulfilled, but simply to find the impossibility of adopting a criterion for the calculation of guaranteed minimums other than that already repeatedly criticized by numerous decisions issued by the Lazio TAR, some of which have become final and enforceable. SNAI has submitted an appeal to the Lazio TAR for the cancellation, upon suspension of such executive measures. The hearing for discussion purposes of the request for a precautionary injunction was scheduled for 21.03.2012.
By court order no. 1036/2012 issued on 22.03.2012, the Second Section of the Lazio TAR, while taking into account the initiative taken in order to resolve at the regulatory level the long-standing issue of the "safeguarding measures" has suspended the effectiveness/validity of the reinstated demands for the guaranteed minimums for the period 2006-2010, postponing the discussions on the merits to the hearing held on 5 December 2012.
On 20 June 2012 226 payment requests were served by AAMS upon SNAI - as well as 1 payment request served upon the former Horse Racing Agency Monteverde Srl – for the payment of supplements to the guaranteed minimums for years 2006-07-08-09-10-11 for a total amount of Euro 24.9 million.

With respect to the prior series of requests sent in January 2012, the one in question gives rise to a registration: on the negative side, an addition of supplements due for year 2011 that have so far not been requested by AAMS and, on the positive side, a 5% reduction in the amount requested pursuant to art, 10 paragraph 5 lett. b) of Law Decree no. 16 of 2 March 2012 converted into Law No. 44 dated 26 April 2012.
In particular, such provision provided, in relation "*to the portions of withdrawal referred to in article 12 of decree no. 169 issued by the President of the Republic on 8 April 1998 and the related supplements*" (known as "guaranteed minimums") the "*definition, on an equitable basis, of a reduction not exceeding 5 percent f the sums still due by the concession holders, referred to in the above-mentioned decree issued by the President of the Republic no. 169 in 1998 with an identification of the modalities for the payment of the relate sums and adjustment of the bank guarantees".*
On 20 July 2012, an appeal was filed with the Lazio TAR seeking the cancellation through suspension of such payment requests.
Following the hearing in the Council Chamber held on 12 September 2012, the Second Section of the Lazio TAR, concluded that the notices challenged constitute simple settlement offers and do not amount to a new demand in the event that they are not accepted by the concession holder. This interpretation of the notices received and of the underlying provision of Law Decree No. 16/2012, on the one hand leaves intact the possible protection in the event of a possible recovery action that the AAMS were to intend to active and, on the other, confirms the parallel suspension of previous expressly tax-based acts/rulings issued by AAMS on 30 December 2011, for which the suspension in the precautionary injunction already issued by the same TAR through above-mentioned court order no. 1036/2012 applies.
Moreover, let us also point out that a brief has been filed setting forth additional grounds for the challenge against the additional notice requesting the "guaranteed minimums" related to horse race concession no. 426, having a tenor that is entirely analogous to those already challenged, but was served by AAMS only on 7 August 2012.
At the hearing scheduled for 5 December 2012, established at the same time as that already scheduled for appeals against the prior demands for guaranteed minimums, the lawsuit was withheld for decision. As indicated in paragraph L.2 Events that occurred after the close of the year, through a judgment filed on 30 January 2013, the briefs/documents wer tansmitted to the Constitutional Court.

D.2 Judgment No. 381/2012 issued by the Council of State

Through Judgment No. 381/2012 dated 27 January 2012, the Council of State cancelled the ruling issued by the Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato* or AGCM) issued in 2005, which authorized SNAI to purchase approximately 450 business units based upon concessions for the acceptance of horse race and/or sports betting (which transaction was effectively concluded in 2006). As a result, AGCM should theoretically take further action with regard to SNAI's request, to reassure the latter of the possibility to once again represent its position in order to obtain (with retroactive effect) a new authorization for the transaction.
With a notice dated 14 March 2012, that was subsequently served upon SNAI, AGCM initiated new authorization proceedings.
With a notice dated 4 May 2012, that was subsequently served upon SNAI, AGCM notified SNAI that it should not proceed with the commencement of the review process in question, since they do not give rise to the establishment or reinforcement of a dominant position of such a nature as to eliminate or reduce competition in a substantial and lasting manner.

D.3 Judgment issued by the Court of Auditors

On 17 February 2012, the Court of Auditors, Jurisdictional Section for the Region of Lazio, issued judgment no. 214/2012 in the proceedings for administrative liability brought by the Regional Prosecutor for Lazio, by statements of claim issued on 3 and 4 December 2007 against the 10 companies holding concessions for the collection of lawful gaming wagers through fun and entertainment devices, including SNAI S.p.A., in connection with the well-known matter related to the penalties for the alleged breaches in the management of the start-up phase of the electronic network. Such judgment leads to a court order for payment by the Company of Euro 210 million (including adjustment for inflation), plus legal interest following the alleged breach by the concession holder of the service levels provided under the concession.
On 11 May 2012, SNAI served an appellate brief against judgment no. 214/2012, since it is subject to criticism from many standpoints. The filing of the appeal gives rise to the automatic suspension, by law, of the effects of the judgment being appealed.

D. 4 IV Penalty imposed by AAMS
By protocol notice no. 2012/7455/Giochi/ADI dated 17/02/2012, which was received on the following 27/02/2012, AAMS imposed upon SNAI the penalty referred to under the combined provisions of art. 27, paragraph 3, letter b) of the Concessions Agreement and paragraph 2 of Schedule 3 thereto, in connection with the alleged breach of the service level of the gateway (GWA) over the period between July 2005 and March 2008, for a total amount of Euro 8,408,513.86.
On 27 April 2012, an appeal was filed setting forth a challenge against such ruling before the Administrative Court, with a request for cancellation upon precautionary suspension.
On 24 May 2012, the Second Section of the Lazio TAR Lazio, with court order no. 1829/2012 suspended the enforceability of the measure applying the fourth penalty, scheduling the discussion of the merits for 20 February 2013.
On 20 February 2013, the hearing was held and the lawsuit was withheld for decision.

D.5 Close of Formal Notice of Findings (*Processo verbale di constatazione* – PVC) for years 2009 and 2010

On 21 February 2012, the Regional Office for Tuscany of the Revenues Agency (DRE) and SNAI reached an agreement and entered into the settlement deed related to the claims deriving from the observation set forth in the PVC for year 2009 in the total amount of Euro 1,955 thousand. The settlement agreement reached provides for: (i) application of the contractual withholding of 10% (in lieu of the national one of 12.5%); (ii) application of an overall sanction in the amount of 120% (in lieu

of 150%) on interest paid to SOLAR SA; (iii) cancellation of sanctions related to the failure to apply withholdings on the loan disbursed by Unicredit Banca d'Impresa S.p.A. and lastly (iv) a reduction to one sixth of the minimum provided by law applies to the sanctions determined as described above.
On 5 July 2012, the DRE and SNAI reached an agreement and entered into the settlement deed related to the claims deriving from the observation set forth in the PVC for year 2010 for the total amount of Euro 1,536 thousand. The settlement agreement reached contains the same conditions reached for year 2009.

In addition, for year 2011, SNAI S.p.A. undertook to settle the notices/demands that the DRE will issue in accordance with the same criteria identified for years 2009 and 2010 as soon as the IT procedure will allow for the preparation of the assessment. Such amounts have been set aside on the Company's financial statement.

D.6 Termination of the agreement for the acquisition of the company Cogemat S.p.A.

With reference to the merger transaction with Cogetech S.p.A. ("Cogetech"), which was also one of the concession holder recipients of the judgment referred to in point D.3 and ordered to pay the sum of Euro 255 million, on 24 February 2012, the Company's Board of Directors, in consideration of the judgment issued by the Courtof Auditors, acknowledged the lapse/cancellation of the contractual commitments to acquire Cogemat S.p.A. ("Cogemat") under the agreement entered into on 29 December 2011 (see press release dated 29 December 2011).
The Board of Directors also resolved to revoke the call of the ordinary and extraordinary shareholders' meetings scheduled for 28 and 29 February 2012 called to resolve upon a series of proposals by the Board of Directors that were useful in connection with the performance of the Agreement, including the proposed capital increase reserved for the shareholders of Cogemat.

D.7 Conclusion of the liquidation of Mac Horse S.r.l.

On 16 March 2012, the company Mac Horse S.r.l. was put into voluntary liquidation and Dr. Stefano Marzullo was named Liquidator.
The Shareholders' Meeting of "Mac Horse Srl Unipersonale in Liquidation" held on 17 October 2012 resolved to close the liquidation with the approval of the final Financial Statement for period ended 30 September 2012 and of the allocation plan.
On 30 October 2012, the Company was cancelled from the Companies Register.

D.8 Tender for Horse Race Television

On 16 March 2012, the A.S.S.I. – *Agenzia per lo Sviluppo Ippico* published on the GUCE an "Open tender procedure pursuant to legislative decree no. 163/2006, for the assignment of broadcasting, elaboration and the audio-video signal that originated from the Italian and foreign racetracks" (Tender).
The Tender, in which the subsidiary Teleippica S.r.l. is interested, as the company awarded the previous contract and is currently the service provider of the related services under an extension regime, concerns the collection, elaboration and broadcasting via satellite of images related to horse races and other services that are provided in Italian racetracks and in a number of foreign racetracks, as well as productions supporting the monothematic channel dedicated to horses.
On 29 January 2013, the Agreement was entered into between ASSI under Temporary Operation (absorbed respectively by MIPAAF and for the portion related to betting by the Customs and Monopolies Authority) and Teleippica in connection with the new service for horse racing TV, having a term of six years from the date of activation of the service (for further details, see paragraph L.2 Events following the end of the year).

D.9 Malfunctioning of the Barcrest VLT Platform (16 April 2012)

On 16 April 2012, an anomalous peak of "jackpot" payment requests occurred on the Barcrest System (one of the VLT platforms that the Company used at such time), in connection with tickets that were only apparently winning, for a range of nominal amounts falling within the regulatory limit of Euro 500,000.00 or even far exceeding such limit.
Following such episode, SNAI immediately blocked the Barcrest System – also following the blocking ruling issued by AAMS – in order to carry out the necessary verifications and inspections. Therefore, since such date, the Barcrest ystem has no longer been in operation. Following the verifications conducted, including with support from independent research techniques, it was found that no jackpot winnings were generated by the Barcrest System over the course of the entire day of 16.04.2012.

Such event led to the following:

- Disputes related to the entertainment device business: AAMS' complaints on account of alleged breaches in the management of the electronic interconnection network

On 29 May 2012, two specific rulings were issued by AAMS on the events that occurred on 16 April 2012, the first related to the possible sanction consisting in the revocation of the conformity certificate of the Snai-Barcrest 01 gaming system, and the second related to the possible sanction consisting in the termination/revocation of the Concession.
By ruling issued under prot. no. 2012/42503/Giochi/ADI on 21 September 2012, AAMS revoked the conformity certificate of the Snai-Barcrest 01 gaming system, giving rise to a prohibition on collecting gaming wagers through such gaming system that had already been blocked by SNAI since 16.04.2012. SNAI has already fulfilled the related requirements provided under the legal framework and the Concession Agreement aimed at the removal of the Barcrest devices from points of sale.

The proceedings aimed at the possible revocation of the Concession was concluded with protocol ruling no. 2013/8342/Giochi/ADI served upon the Company on 22 February 2013 pursuant to which AAMS established that it did not have to proceed with the revocation of the Concession and merely applied a number of contractual penalties for a total amount of approximately Euro 1.5 million.

As of 31 December 2012, the Directors set aside a specific risks reserve to cover this liability.

- Disputes initiated by players who held "allegedly winning" tickets resulting from the malfunctioning of the Barcrest VLT platform

Following the malfunctioning of the Barcrest VLT platform which occurred on 16 April 2012 certain holders of "allegedly winning" tickets initiated ordinary lawsuits/monitory proceedings/summary proceedings in order to obtain payment of amounts indicated on the tickets issued by the Barcrest VLTs during such malfunctioning and/or compensation for damages suffered.
In particular, as of 31 December 2012, 54 proceedings and 2 mediation requests were initiated. These 54 proceedings include 8 temporarily enforceable injunctive orders that may be summarized as follows:

- in two cases, the players obtained the award of approximately Euro 500,000.00. in one of these cases, once SNAI obtained the suspension of the temporary enforceability of the injunctive order, it requested the precautionary seizure of assets and receivables of the player equal to that awarded;
- in another case, the temporary enforceability was suspended upon a judicial security deposit posted by SNAI in the amount of Euro 500.000,00;
- in the remaining five cases, the temporary enforceability was suspended upon a summary review of the defenses raised by SNAI on such matter and in three of these cases, the enforcement procedure that had been initiated in the meantime was interrupted;

After 31 December 2012, an additional 14 proceedings were initiated including 1 temporarily enforceable injunctive order challenged by SNAI, the temporary enforceability of which was suspended pending the court's grant of SNAI's request.
In should also be noted that a lawsuit has in the meantime been extinguished due to inertia on the part of the player.
In all of the above-mentioned proceedings, SNAI entered an appearance and will enter an appearance in the proceedings, contesting the payment requests on factual and legal grounds, since, as already announced to the market and to the competent regulatory Authority, no "*jackpot*" has been validly achieved throughout the entire day of 16 April 2012. In light of the considerations raised above and the opinions of the Company's legal advisors, the directors are of the view that the risk of the Company's defeat may be deemed merely possible.

Over the course of 2012, SNAI summonsed Barcrest and its controlling company for the compensation of all damages resulting from the malfunctioning that occurred on 16 April 2012.

D.10 I, II and III AAMS Penalty

Through judgment 2192/2012 dated 16 April 2012, the Council of State cancelled on appeal the rulings which imposed the first three penalties imposed by AAMS in 2008. On 23 June 2012, a third party statement of claim was served upon the Company by SOGEI S.p.A. against judgment 2192/2012. SNAI entered an appearance in the opposition proceedings initiated by SOGEI.

D.11 Close of the liquidation of Faste S.r.l.

On 26 April 2012, the quotaholders' meeting of Faste S.r.l. in liquidation approved the final liquidation financial statement as of 31 March 2012 as well as the allocation plan. Furthermore, it granted a mandate to the liquidator to handle all requirements and formalities related to the close of the liquidation and the cancellation of the company. On 4 June 2012, Faste S.r.l. in liquidation was cancelled from the Companies Register and its VAT code was cancelled with the Revenues Office.

D.12 Appointment of the current Board of Directors

On 27 April 2012, the Shareholders' Meeting of SNAI S.p.A. appointed the current Board of Directors whose mandate will expire on the date of the Shareholders' Meeting for the approval of the financial statement as of 31 December 2014. After 27 April 2012, the Directors Maurizio Ughi, Francesco Ginestra and Marco Pierettori submitted their resignations and to replace them, Luca Destito, Enrico Orsenigo and Sergio Ungaro were respectively coopted, and there mandate will expire on the date of the Shareholders' Meeting for the approval of the financial statement for period ended 31 December 2012.

D.13 Exension of concessions and tender for the award of 2000 new sports and horse racing store rights

On 26 June 2012, SNAI asked to avail itself of the extension of the 100 horse race concessions and 228 sports concessions (referred to as "renewed" concessions) expiring on 30 June 2012 as provided under the applicable legal framework in force.
On 30 July 2012, the call for tender for the assignment of 2000 new rights for the joint operation of the following public games based upon horse races and sports through a physical network of stores (the "Tender") was published in the *Gazzetta Ufficiale* of the Italian Republic:

- fixed quota sports betting on sporting and non-sporting events other than horse races;
- sports betting with totalizator on sporting events other than horse races;
- horse race betting, both fixed quota and with totalizator;

- betting pools and sports betting;
- betting on simulated events.

For SNAI, the Tender represents an opportunity to replace the betting concessions referred to as "renewed" (which are currently under a *prorogatio* or extension regime) and to expand the sales network with a new concession consisting in a given number of assigned rights at the conditions established under the Tender.
The new concession will last until 30 June 2016, subject to unilateral extension by AAMS for an additional 6 months, with at least 30 days advance notice prior to expiry.
The new rights will not be subject to any territorial restriction as to the location of the point of sale. The deadline for the submission of the request to take part in the Tender was scheduled for 19 October 2012 and SNAI submitted its offer by the deadline. The procedure provided for the award of the concessions by the end of December 2012.
On 6 November 2012, the public session was held for purposes of opening the Envelopes with reference to only the Envelope "A" containing the candidates' administrative documentation.

The opening of the "B" Envelopes containing the economic offer submitted by the candidates admitted which had been expected to take place at a public session on 12 March 2013 has been temporarily suspended, since the Lazio TAR granted the claim submitted by a candidate which had been excluded from the tender procedure. Following the revocation of the ruling by which the Lazio TAR had suspended the tender procedure for the grant of the concession for the operation of public games, the Customs and Monopolies Authority announced the date of the new call of the public hearing, scheduling it for 25 March 2013.

D.14 Quotas on 02.10.2012

Due to an anomaly which occurred on 02 October 2012, sporting events were offered and the relevant quotas fixed, but with erroneous rates – only for a few minutes – and involved, in particular, the type of bet known as Under Over 5.5 and Under Over second half 0.5.
A few players took advantage of the above-mentioned error and these players, upon noticing the anomalous rate quoted, placed a series of simple and systematic bets using both the remote channel through the www.snai.it portal and the physical channel.
SNAI promptly informed AAMS of the anomaly prior to the event.
A few players have initiated legal proceedings seeking payment of the winnings attained.
SNAI is preparing its defenses also in light of the case law precedents favorable to a concession holder which has published quotas marred by recognizable errors and will enter an appearance in such proceedings by the legal deadline.

D.15 Syndication of the loan agreement

SNAI S.p.A., following agreements reached on 8 March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., entered into a medium/long-term loan agreement consisting of several credit lines, for a total initial amount of Euro 490 million; such transaction was conditioned upon the perfection of the acquisition by Global Games S.p.A. of a majority shareholding in SNAI S.p.A., previously held by SNAI Servizi S.p.A..
The credit lines under the loan agreement are remunerated at Euribor as contractually defined and determined, plus a spread ranging generally between 4.50 and 5.25% per annum which may be subject to adjustments due to the Margin Ratchet and the market flex provision envisaged for the syndication strategy. The parent company has signed a syndication clause for loan agreements and therefore the lending institutions which originally disbursed the loan are entitled to have other lenders enter the pool. On 30 September, the company obtained an extension in the syndication period through 31 October 2012. On 31 October, upon the expiry of the extension period, the syndication of the loan agreement in place was unsuccessful. Since the rules envisaged by the syndication were not complied with, as envisaged under the contractual provisions, the Lenders exercised the Market Flex clause which led to an additional charge in the amount of Euro 7.01 million, which was paid on 9 November 2012.

D.16 Amendments to the loan agreement

Over the course of November 2012, an amendment to the Loan agreement in place (the Facilities Agreement) was negotiated with the three main lending banks (MLAs), through which the parameters for the calculation of the Senior Leverance Ratio (SLR) and Senior Interest Coverage (SIC) covenants were renegotiated for the periods ending on 31 December 2012, 31 March 2013 and 30 June 2013. Such amendment, through an upward adjustment in EBITDA by an agreed amount, aims to sterilize the consequences of the two exception events which penalize the calculation of the two ratios (the Barcrest matter and the level of payout on sports betting in September 2012). The amendment proposal was accepted on 23 November by the MLAs.
In November 2012, the acquisition facility credit line in the amount of Euro 60 million was cancelled since it had not been used by the applicable deadline.

D.17 Penalties related to the fixing of excess quotas for AWPs

Following a request made by AAMS on 22 June 2012 concerning the data related to the locations of the AWPs at which it was found that the limits established by the rules on quota fixing in force at the time had been exceeded, caused by the simultaneous presence of devices related to several concession holders over the months of January-August 2011, SNAI requested, through a memorandum dated 31 January 2013 the correction of the anomalies found, in the meantime cancellation for self-protection purposes the payment request formulated by AAMS. For this event, Euro 1.47 million has been allocated to reserves to fully cover any related risk.

D.18 Research and development (2428 CC)

SNAI S.p.A. and the companies belonging to the Group carry out development of their core business operations in the sector of specialized hardware and software, for network connections and for the supply of services for the collection of bets. In the explanatory notes attached to the individual financial statement and the consolidated financial statement, the expenses incurred in connection with the initiatives already concluded are described in detail.

E. Directors' assessment on the requisites of business continuity

SNAI Group's fina ncial statement for period ended 31 December 2012 shows a loss of Euro 42.6 million, a total loss of Euro 46.1 million, net shareholders' equity of Euro 164.2 million, net financial indebtedness to third parties of Euro 369.6 million. The financial costs incurred from 1 January through 31 December 2012 amount to Euro 45 million. As of 31 December 2011, the Group had a total final loss of Euro 40.5 million (with financial charges/interest of Euro 42.3 million), net shareholders' equity amounted to Euro 210.3 million and net financial indebtedness amounted to Euro 354.4 million.
The final results for the year are nonetheless lower than expectations.

The Directors point out that the difference with respect to forecasts is essentially due to the effects deriving from the trend in *payout* on sports bets and the malfunctioning of the Barcrest VLT platform which occurred in April 2012. The Directors further are of the view that (i) once the payout returns to its historic levels and (ii) once the corrective actions are taken for the replacement of the Barcrest VLTs, the expectations on the Group's performance may come back in line with expectations. Such expectations have therefore been reflected in the 2013 budget, which was approved on 29 January, and in the "guidelines for 2014-2015" prepared for purposes of the assessments of the financial statement and approved by the Board of Directors as part of the assessments carried out for purposes of the impairment test.

At the same time, the Group, upon the successful conclusion of the renegotiation of the financial indebtedness which took place in March 2011, obtained continuity in financial means necessary to support its development plans.

The Directors are therefore of the view that the evolution and expansion of the Group's core business operations will allow for the achievement of a position of economic stability and the generation of adequate cash flows.

It has also been pointed out on numerous occasions that the Group's capacity to achieve such position of stability is mainly dependent upon the achievement of operating and financial results that are substantially in line with those envisaged under the above-mentioned company forecasts. In this regard, the Directors are aware that the strategic objections identified and reflected in the 2013 Budget and in the above-mentioned 2014-2015 guidelines, present inevitable elements of uncertainty due to the unpredictability related to the realization of future events and the characteristics of the relevant market which could have adverse effects on the capacity to achieve future results and cash flows, on which the main assessments for purposes of the preparation of this financial statement are based. Nonetheless, the Directors are of the view that the above-mentioned strategic objectives are reasonable.

Based upon all of the considerations set forth above, the Directors are of the view that the Group has the capacity to continue its business operations in the foreseeable future and have therefore drafted the financial statement based upon an assumption of business continuity.

F. PERFORMANCE OF SNAI S.p.A. AND ITS SUBSIDIARIES

Set forth below is a summary of the activities and main events which characterized the management of the individual companies belonging to the Group over the course of 2012.

F.1 SNAI S.p.A.

As of 31.12.2012, the company engages in the following business operations:

- it is the holder of 328 horse racing and sports concessions which expired on 30 June 2012 and are currently under an extension regime, 1 Bersani sports concession (342 stores e 864 corner), 1 Bersani horse racing concession (94 stores and 2,472 corners), 1 Giorgetti Horse Racing Concession (303 rights for horse racing stores), 1 electronic concession and 1 ADI concession (AWP and VLT);
- it supplies an on-line electronic system capable of connecting, via cable and via satellite, to the network for national collection of wagers for over 10,000 terminals in operation at the PAS and the "Bersani" and "Giorgetti" points of sale, allowing for their transfer and the elaboration of data related to the individual bets. The system allow for the registration and recording for accounting purposes of all data related to each individual bet, to send them from the SNAI Point to the computer systems of Sogei S.p.A. for the Ministry of the Economy and Finance and, once the "clearance" and the registration number of the bet have been received from such Ministry, to issue the final receipt for the possible collection of winnings ("betting ticket");
- it provides to the SNAI Points, including both those that are operated directly and those owned by clients, technical and IT support for the verification of trends in gaming, the fixing of opening quotas and their updating in real time, etc.);
- it disseminates via satellite the opening quotas and the related updates during the collection of gaming wagers;
- provides the software and electronic system for the collection of remote betting wagers, as well as the software and the electronic system for the possible interconnection for the connection of Bingo rooms, both with one another and

with the State Monopolies Authority (*Amministrazione Autonoma Monopoli di Stato* or AAMS), for the transfer of information related to gaming;

- it provides to concession holders the necessary hardware and software systems, as well as all of the related technical assistance services, including on devices owned by the concession holders themselves;
- it provides organizational and sales consultancy services related to acceptance operations for betting, gaming, Bingo, pool betting (National Horse Racing, "Big" Bets, Totocalcio, Totogol, Il 9, etc.) and entertainment devices;
- it designs, sells and installs equipment, displays and services for preparation of the PAS, the Bersani points of sale (stores and corners), the realization of Bingo rooms and the construction of the connection network for entertainment devices (ADI);
- it promotes the Group's proprietary commercial brands. It also focuses on developing SNAI's market and enhancing its image with the public. This is achieved through both advertising campaigns and the publication of quotas and betting-related information in sports newspapers and media aimed at the public at large, as well as we through external relations and press office activities, and the conception and management of events.

F.2 SUBSIDIARIES

F.2.1 FESTA S.r.l.

The company operates in the multimedia services and ICT (in-bound and out–bound) sector, with a specialization in contact center activities: help desk, customer care, telemarketing and teleselling.
Festa S.r.l. also offers telephonic assistance services, IT and technical support for SNAI S.p.A.ìs SNAI Points, including both those operated directly and those operated indirectly.

Revenues for year 2012 reached Euro 6,194 thousand (down from Euro 7,608 thousand in year 2011). The revenues derive essentially from the fees for assistance with remote gaming paid by the parent company in the amount of Euro 1,822 thousand, from other agreements in place with third party clients with respect to Euro 1,414 thousand and from other services rendered to the parent company and the other companies of the Group in the amount of Euro 2,958 thousand.

The financial statement closes with before tax earnings of Euro 60 thousand (down from Euro 87 thousand for year 2011). Net earnings amount to Euro 144 thousand (in 2011, the company closed the year with a loss of Euro – 386 thousand) after adding taxes in the total amount of Euro 84 thousand. Such result emerges after applying amortizations in the amount of Euro 134 thousand (down from Euro 208 thousand the previous year) and amounts set aside on reserve totaling Euro 188 thousand (Euro 58 thousand the previous year).

The cash flow absorbed by operations amounted to Euro 440 thousand out of a total value of production of Euro 6,194 thousand.

F.2.2 Società Trenno S.r.l.

The company that was established following the spin-off of a specific business unit began operating in 20 September 2006: it handles the operation of the horse racetracks in Milan (harness racing and gallop racing) and Montecatini (harness racing).

Under the agreement with the entity formerly known as ASSI, a public entity headed by the Ministry for Agricultural and Forestry Policies, the company organizes the operation of the gallop training center at Milano S. Siro and the collection, within the racetracks, of bets on horse races.

As part of a national program coordinated by the entity formerly known as ASSI, Trenno organizes races in accordance with an established calendar, and receives from such entity an annual fee established under a long-term agreement that is pending renewal.

In addition to the fees for the organization of horse races, Trenno also receives other revenues from the former ASSI such as:

- fees for the use of the facilities by horse race operators;
- other revenues for advertising and sponsorships as well as for the sale of spaces inside the racetracks and the real estate complexes and the availability of areas and structures for fairs and events;
- less significant proceeds related to the rent of various commercial businesses within the real estate complexes (such as, for example, restaurants, cafes, parking lots, etc.).

Revenues amount to a total of Euro 12,936 thousand (down from Euro 18,952 thousand in 2011) and the company closes the year with a significant loss in the amount of Euro -6,423 thousand (Euro 3,224 thousands in year 2011) after applying amortizations in the amount of Euro 1,129 thousand (Euro 1,231 thousand in year 2010).

The net results of operations were also affected by the reduction in revenues deriving from the core business due to the general decline seen in the national horse racing segment. In January 2013, SNAI announced that the suspension in harness sports activities at the San Siro racetrack was due to the contraction in betting wagers and in the changed context of relationships with the former ASSI. However, the 2013 gallop racing season in Milan opened regularly on 20 March 2013.

F.2.3 Immobiliare Valcarenga S.r.l.

In year 2012 as well, the business operations continued in accordance with the traditional strategies for the support f horse race facilities in operation at Società Trenno S.r.l. by the instrumental lease of its properties.
The company's financial statement for period ended 31 December 2012, prepared in accordance with Italian accounting standards shows net earnings of Euro 24 thousand (down from Euro 44 thousand in the previous year) which emerges after having applied amortizations and allocations in the amount of Euro 9 thousand (Euro 10 thousand in the previous year). Revenues amount to Euro 99 thousand (Euro 96 thousand in 2011) of which Euro 59 thousand (Euro 67 thousand in 2011) were intragroup revenues.

F.2.4 Snai Olè SA

On 19 November 2008, a company was established under the name SNAI Olè SA with registered office in Madrid (Spain), calle Conde de Aranda 20 2° Izq, share capital of Euro 61,000, wholly-owned by SNAI S.p.A. .

In year 2012, the company did not engage in any business operations. The draft financial statement prepared in accordance with Italian accounting standards closes with a loss of Euro 112 thousand (Euro 116 thousand in 2011).

F.2.5 Teleippica S.r.l.

The company provides video and audio signal transfer, elaboration and broadcasting services for video and audio originating from Italian and foreign racetracks on behalf of the former ASSI. For the former ASSI, the company supplies additional services such as production of the UNIRE Blu channel. Starting in 2010, the company has also supplied Streaming and Video on Demand services as well as the supply of UNIRE Sat services.
On behalf of Snai S.p.A., the company supplies broadcasting services for the SNAI TV television channel and the production of the audio channel Radio Snai.
The company's financial statement for period ended 31 December 2012 shows net earnings of Euro 2,199 thousand (down from Euro 2,777 thousand in the previous year) which was reached after having applied amortizations and allocations in the amount of Euro 781 thousand (down from Euro 1,663 thousand in the previous year).

The cash flow generated by the business was negative in the amount of Euro -1,310 thousand. Revenues amounted to Euro 12,001 thousand (Euro 13,843 thousand in 2011), of which Euro 2,241 thousand (Euro 2,199 thousand in 2011) related to intragroup revenues.

In 2012, the Company achieved a large shares of its revenues through the agreement in place with the former ASSI, which expired in June 2011, related to TV focusing on horses, which will continue under an extension regime until the execution of the new agreement for the television services which is expected to take place by 29 May 2013. This is an Agreement which the Company was awarded on 5 December 2012 by winning the related European tender procedure for a term of 6 years form the date of activation and having a value for the entire period of Euro 53,874 thousand.

F.2.6 SNAI France S.A.S.

On 18 July 2010, a company was established under the name SNAI France SAS with registered office in Paris (France), with share capital of Euro 150,000, wholly-owned by SNAI S.p.A..
In 2012, the company did not engage in any business operations. The draft financial statement prepared in accordance iht Italian accounting standards closed with a loss of Euro 1 thousand (as opposed to Euro 11 thousand in 2011).

G DIRECT AFFILIATES

G.1 HippoGroup Roma Capannelle S.p.A.

SNAI S.p.A. directly holds a 27.78% shareholding in the company.
HippoGroup Roma Capannelle S.p.A. operates the racetrack of Capannelle, Rome.
The financial statement for period ended 31 December 2011 of Hippogroup Roma Capannelle S.p.A. closed with earningsof Euro 7,867 thousand and net shareholders' equity of Euro 8,538 thousand. These results were reached thanks to the successful conclusion on 22 December 2011 of the settlement agreement which envisaged, in a nutshell, a significant reduction in the concession fee and the payment of 100% of the claims of preferred creditors and 25% of the claims of unsecured creditors, to be paid in four annual installments until 2014. Therefore, the income statement for year 2011 shows net windfall assets in the amount of approximately Euro 9.6 million deriving from the cancellation of debts owed to unsecured creditors, which strongly influenced the earnings figure for year 2011. The pre-closure estimates for 2012 concerning the company envisage a loss of approximately Euro 2,100 thousand.

G.2 Alfea S.p.A. – Società Pisana per le Corse dei Cavalli (Pisan Horse Race Company)

SNAI S.p.A. directly holds a shareholding of 30.70%. Alfea S.p.A. operates the racetrack in Pisa.
The financial statement for period ended 31 December 2011 shows net earnings of Euro 68 thousand (down from Euro 132 thousand in 2010), even if the pre-closure estimates of the company's figures for 2012 envisage a before tax loss of approximately Euro 800 thousand.

G.3 SOLAR S.A.

The affiliate organized under the laws of Luxembourg was established in March 2006, with capital of Euro 31 thousand, of which SNAI S.p.A. holds a 30% stake in the amount of Euro 9.3 thousand.

G.4 Connext S.r.l.

SNAI S.p.A. holds a total of 25% in the company's share capital which totals Euro 81,6 thousand.
In year 2012, the company Connext Srl managed the technical assistance for the technologies at the points of sale belonging to the SNAI network.
The draft financial statement for period ended 31 December 2012 closes with a net loss of Euro 3 thousand (down from earnings of Euro 9 as of 31 December 2011) after applying amortizations totaling Euro 38 thousand (Euro 29 thousand as of 31 December 2011). The value of production amounts to Euro 918 thousand (Euro 950 thousand as of 31 December 2011) and the costs of production amount to Euro 898 thousand (Euro 909 thousand as of 31 December 2011), leaving a net margin (EBIT) of Euro 21 thousand (down from Euro 41 thousand as of 31 December 2011).

H. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY AND THE COMPANIES INCLUDED WITHIN THE CONSOLIDATION PERIMETER ARE EXPOSED

H.1 DESCRRIPTION OF RISKS

In compliance with the provisions of art. 154-ter of Legislative Decree 58/98, set forth below is a description of the Group's exposure to risks and uncertainties in year 2012. It should be noted that the Group has always been particularly attentive toward the prevention of risks of all types which could impair its results of operations or the integrity of its assets.

In particular, for the horse race and sports betting market, the company is managing the localization and start-up of Bersani and Giorgetti points which will allow the group to face competition in the sector and to expand its business over the next year and in following years.
The company took part in the tender for the award of new sports and horse racing store rights which provides for the possibility to replace the concessions which expired on 30.6.2012 (currently under an extension regime) with new points to be awarded at conditions defined by the tender. Rights awarding phase is now in progress and after the opening of the envelopes, procedures were started for the analyses of the requisites for eligibility to take part in the tender.

Over the course of year 2012, Snai consolidated its role as network concession holder for a number of connected slots and channeled transactions. On 13 November 2012, SNAI obtained the final award of the concession for the operation of the network and, after having completed the required documentary procedures, on 20 March 2013 entered into the concession agreement; also underway is the perfection of the distribution strategy which, based upon market studies and analyses will lead to the maximization of profitability of each individual device, by reallocating the devices within the individual points of sale which will allow for an increase in profitability of the product, limiting the risks deriving from the cannibalization of VLTs (in operation) by attracting the interest of customers.

The company is carefully monitoring the development of the VLT segment the activities of which were implemented over the course of 2012 with an increase in the gaming terminals installed. The direct business areas are focused on both the monitoring of the progress of the platform, which was recently implemented with new software and hardware, and the search for new commercial partners with the objectives of:

- increasing the number of VLTs in operation;
- monitoring the projection and potential of each device in connection with the location where it is installed;
- minimizing the cannibalization of VLTs with respect to AWPs, planning a precise movement of VLTs being installed in correlation, as already mentioned, with the presence of AWPs that are already in operation.

Over the course of 2012, the operations related to Skill games were bolstered. In December 2012, the on-line slot machine business was launched.

The company, after renegotiating its debts in March 2011, entered into a hedging agreement with the objective of reducing both exposure to fluctuations in interest rates and the incidence of interest charges.

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

For additional information on financial risks, see the supplementary note, and specifically the section that discusses IFRS 7.
With regard to risks of non-compliance with legal and regulatory provisions, in addition to what is stated above, the company is of the view that such risk is managed through an adequate organizational structure.

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

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

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

Credit Risk
Credit risk is the risk of financial loss deriving from a client or counterparty that does not fulfill its contractual obligations. A significant portion of the Group’s revenues derives from the concessions of the State Monopolies Authority (*Amministrazione Autonoma dei Monopoli di Stato* or “AAMS”), which results in a significant concentration in the exposure to credit risk vis-à-vis groups of clients.
The management is of the view that going forward, a significant portion of its operations and profits will continue to depend upon AAMS concessions.

Liquidity Risk
Liquidity risk is the risk of unavailability of adequate sources of funding for the Group’s operations. The Groups capacity to maintain its existing agreements as of the date of renewal and to invest in new contractual opportunities depends upon its capacity to access new sources of funding for such investments.

Country Risk
Country risk is the risk that changes in regulations or laws, or in the economy of a country in which the Group operates may have adverse effects on the envisaged profitability. The Group operates in the domestic market and generates its revenues through transactions in Italy.
Risks related to the Group’s transactions derive from, in particular, a greater level of government regulation of the physical and on-line gaming and betting sector, controls or restrictions on cash and on-line transactions an possible political instability. Other economic risks for the Group’s national operations may include inflation, high interest rates defaults on debt, unstable capital markets and restrictions on direct investments. Political risks include changes in leadership, changes in government policies, new controls regulating cash-flows within the country, the incapacity of the government to honor existing agreements, changes in tax legislation and corruption, as well as risk aversion.

Operating Risk
Operating risk is the risk that external events or internal factors may translate into losses. The Group’s Concessions in Italy: certain agreements and various services contracts often require, respectively, liability-side or asset-side bank guarantees in order to guarantee the performance of such agreements and impose upon the Group obligations to pay indemnities for damages that may arise as the result of contractual breach. The receivables arising under bank guarantees and the compensation for material damages could have adverse effects on the Group’s results of operations, financial conditions or future prospects.

H.2 DESCRIPTION OF UNCERTAINTIES

Legal proceedings
Given the nature of its business operations, the Group is involved in a series of legal, regulatory and arbitration proceedings which pertain to, among other things, potential assets and liabilities, as well as injunctions by third parties deriving from the ordinary conduct of its business operations. The outcomes of these proceedings or similar proceedings cannot be predicted with certainty. Unfavorable conclusions of such proceedings or significant delays in the resolutions could have adverse effects on the Group’s business, its financial condition and its results of operations. For a description of the main legal proceedings and potential liabilities, reference is made to paragraph 28 “Funds for risks and future charges, litigation and potential liabilities” of the Explanatory Notes to the Consolidated Financial statement and note 26 of the Explanatory Notes to the individual financial statement.

Relationships with the Government
Group’s activities are subject to a broad and complex regulatory framework which imposes rules on individual suitability requisites for directors, executives, main shareholders and key employees. The Group is of the view that it has developed procedures aimed at satisfying the regulatory requisites. However, any failure on the part of the Group to comply with or obtain the suitability requirements could lead the regulatory authorities to seek to limit the Group’s business operations.
The failure of a company of the Group, or the malfunctioning of any system or machine, in order to obtain or maintain a concession or request an authorization may have an adverse effect on the Group’s results of operations, business or prospects. Furthermore, there have been, there are and there may be in the future, various types of verifications conducted by the authorities may have an adverse effect on the Group’s capacity to obtain or maintain the concessions requested or the approvals. Possible adverse events may have adverse effects on the Group’s results of operations, business or prospects. Furthermore, there have been, there are and there may be in the future, various types of verifications conducted by the authorities on possible wrongful/unlawful acts related to tenders or tender awards. Such verifications are generally conducted secretly, and therefore the Group is not necessarily aware of its involvement. The Group’s reputation for integrity is an important factor as regards the activities engaged in with the concession-granting authorities: any accusation or suspicion of wrongful or unlawful conduct attributable to the Group or a prolonged/broad-sweeping verification/investigation could have material adverse effects on the Group’s operating, economic and financial results, and on its capacity to maintain existing concessions and contracts or obtain new contracts or renewals. Moreover, negative publicity caused by such proceedings could have material adverse effects on the Group’s reputation, results of operations, economic and financial condition and future prospects.

I. RELATED PARTY TRANSACTIONS

I.1 Relationships with subsidiaries, affiliates, controlling companies and companies subject to common control of the controlling company

The relationships between the parent company SNAI S.p.A. and its subsidiaries and affiliates consist in managerial and financial assistance and the supply of services, as well as the leasing of real estate properties instrumental for the business operations, including related services.

The specific services provided to the subsidiaries have been charged by the parent company on the basis of costs of production and supply of services, plus an adequate margin to the department of the necessary structure and the related general costs.
The cost charged is considered congruous and in any case not higher than the cost which the individual companies of the Group would have had to incur in order to purchase services of the same quality, quantity and delivery timing on the market.

The other administrative and technical services that are produced, supplied and used within the Group's companies are charged to the subsidiaries and affiliates on the basis of their actual use, taking into account the cost of acquisition or production of the services in question.

Specific services acquired from third parties in the overall interest of the entire group and related in particular to financial legal, tax and specialized technical matters have been recharged proportionately in line with the specific interest of each company.

Reference is made to note 33 of the Explanatory Notes to the Consolidated Financial Statement and to note 31 of the annual financial statement for details on all of the relationships which SNAI S.p.A. maintained over the course of 2012 with subsidiaries, affiliates and the controlling company or companies subject to the latter's common control.

I.2 Related party transactions

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

The Group performs services for concession holders of horse racing agencies and sports agencies, as stated in the foregoing paragraphs. Following the acquisition of the 463 concession business units, the former concession holder sellers entered into, at the same time, with SNAI S.p.A. a management agreement through which they provide services for the collection of betting wagers and for the payment of winnings to betters, and receive a pre-determined fee for such services.

Over the course of year 2012, after the change in the controlling shareholder, the conditions of correlation with certain operators of points of sale who prior to the sale had been shareholders of the controlling shareholder SNAI Servizi S.p.A. were eliminated.

The explanatory note to the individual financial, in paragraph 31, sets forth a detailed description of the relationships which are material and highlighted for accounting purposes in SNAI S.p.A.'s balance sheet, income statement and in the financial commitments vis-à-vis the other companies of the Group and residual vis-à-vis related parties.

J. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

In the SNAI Group, the number of employees reached, as of 31.12.2012, 731 resources, showing an increase of 24 resources over yearend 2011.
Such development is due to the following factors: a) a 7 resource increase for the company Teleippica S.r.l.; b) a 35 resource decrease in the company FESTA S.r.l. c) an 86 resource increase in SNAI S.p.A. within varios business lines; d) closure of the company MacHorse, with the consequent elimination of 7 resources; e) a 25 resource decrease as the result of the restructuring plan concerning Società Trenno S.r.l.

The overall personnel are as follows:

SNAI Group	**31.12.2012**	**31.12.2011**
Executives	**20**	**21**
White Collar Employees and Mid-level Managers	**633**	**594**
Blue Collar Workers	**78**	**92**
Total Employees	**731****	**707***

* 163 of whom are part-time employees and 14 of whom are on maternity leave
* * 152 of whom are part-time employees and 15 of whom are on maternity leave

The Parent Company's personnel increased by 86 employees, rising from 317 employees at yearend 2011 to 403 employees at yearend 2012.

SNAI S.p.A.	**31.12.2012**	**31.12.2011**
Executives	16	17
White Collar Employees and Mid-level Managers	380	296
Blue Collar Workers	7	4
Total Employees	403**	317*

* of whom 26 are part-time employees and 9 are on maternity leave
* * of whom 46 are part-time employees and 10 are on maternity leave

The parent company, SNAI S.p.A., adopts the National Collective Employment Contract (C.C.N.L.) for "Workers in the private metalworking/engineering and systems/equipment installation industry"; the personnel of the directly operated Company Stores are subject to the National Collective Employment Contract (C.C.N.L.) for Commerce and the additional protocol for horse race agencies.
The operating company Festa S.r.l. applies the National Collective Employment Contract (C.C.N.L.) for commerce and for the Rome office, for telephonic sales of services and products on behalf of third parties, a company agreement for outbound operations of Teleippica S.r.l., the National Collective Employment Contract (C.C.N.L.) for private radio-television companies.
The company which operates in the horse race sector applies the National Collective Contract for horse race companies.
It should be recalled that the organizational model adopted is comprised of the following documents: code of ethics, organizational model, job descriptions and management procedures.

K. HEALTH AND SAFETY IN THE WORKPLACE PURSUANT TO ARTICLE 2428 OF THE ITALIAN CIVIL CODE

Over the course of year 2012, the training and awareness-raising initiatives for employees and, in general, for all workers on issues concerning safety in the workplace continued.
The activities were carried out through training and informational initiatives (carried out through specialized courses), the implementation of the health monitoring plan, the dissemination of notices and circulars, as provided under the applicable legal framework on this area.
In accordance with the provisions of Law Decree No. 81 of 2008, additional investments have been made, for improving the adequacy of plants/systems and equipment for purposes of complying with the requirements imposed under the above-mentioned legal framework.
In the area of safety, with regard to the horse racing facilities, several years ago, a mobile emergency response unit has been made available at the facilities as a safeguard in the event of accidents during the races or training sessions.

L. Trend in the business operations and events that occurred since the end of the year

L.1 Trend in the business operations and updates on the Business Plans

Foreseeable trend in business operations

The Group's strategic objective is to maintain its leadership position on the betting market, including through new instruments offered by mobile operating technological platforms, and to increase the market share in the gaming sector. The Group is equipped with the resources, in terms of capital and know-how, that are necessary to achieve such objectives.
The Group intends, as soon as possible, to render operational all of the VLT devices for which it holds rights; as already mentioned, following the AAMS ruling revoking the conformity certificate of the Barcrest Gaming System, the Group entered into a supply agreement with a new supplier, the Novomatic Group. The platform was activated in mid-January 2013.

The Group also made available an application for mobile devices (Apples and Androids) which enable players to place sports bets through their smartphones and tablets. The initial results of such innovation would appear extremely interesting.
The Group also intends to develop the AWP sector through the availability of new state-of-the-art devices.

State of progress of the business plan

The 2011 – 2014 Business Plan approved by the Board of Directors at the meeting held on 23 March 2011 was based upon:

- the development of the fixed quota horse race and sports betting segment in the roles of both concession holder and service provider, continuing the strategic approach defined over the course of 2006;
- the launch and development of the VLTs segment: through the Abruzzo decree, VLT terminals were introduced to the Italian market, allowing existing holders of concessions for the operation of the network and the paragraph 6° devices (AWPs) to use such terminals. The SNAI Group purchased 5,052 rights, with an outlay of Euro 76 million, entirely paid;
- the launch and development of virtual horse races by holders of concessions for on-line gaming as part of the Bersani network, and casino games activities and cash games as part of the development of the broader context of remote gaming.

The Board of Directors at its meeting held on 29 January 2013 approved the 2013 Budget, focusing on the above-mentioned strategies for the development and growth of the Group. In particular, the Group confirms its objective of completing the installation of all of the VLTs for which the Company obtained the concession (5,052 rights). The VLT segment is the one which shows the highest rates of growth and may contribute significantly toward improving the Group's profitability.

Among other areas for enhancement, it is envisaged that the distribution Network will be optimized by the segmentation of gaming rooms and the realization of their full potential. In this regard, the development of new stores is envisaged.
The offer of on-line services is expected to be further expanded with the aim of reaping their full development potential, also by taking advantage of possible synergies with physical gaming.

In 2013, games related to Virtual Events will be launched.

The close of year 2012 shows discrepancies with respect to forecasts, which are mainly due to the higher payout for the period with respect to forecasts (while the Group's performance was nonetheless better than market performance) and the effects deriving from the block on the Barcrest platform.

Final results in 2012 are therefore lower than forecasted, but rather derive mainly from the above-mentioned unforeseen exogenous events, which are considered non-recurring, which occurred during the year: trend in the payout and consequences of the Barcrest event; in other business areas, the trend is at least in line with forecasts. On these bases, we are of the view that, once the payout returns to its historic figures, and the corrective actions for the VLTs are completed in connection with the Barcrest event, the Group will resume performance in line with the forecasts of its long-term guidelines.

L.2 Events since the end of the year

L.2 .1 Entertainment devices - PREU year 2010

On 2 January 2013, the Group received from AAMS an additional amicable settlement for the PREU for year 2010, bringing, on the one hand, SNAI's credit for excess PREU paid to Euro 21,947.21 and, on the other, reduced sanctions in the amount of Euro 2,933,107.07 and interest in the amount of Euro 478,809.97 due to the delay in payments.
On 31 January 2013, SNAI produced its observations aimed at the correction of the calculations set forth in the amicable settlement notice. Such notice was allocated to reserves in the financial statement for period ended 31 December 2012.

L.2.2 Horse racing television tender procedure

On 29 January 2013, the Agreement was entered into between ASSI under Temporary Management (absorbed, respectively, by MIPAAF and with respect to betting by the Customs and Monopolies Agency) and Teleippica, pertaining to the new service for horse racing TV, with a term of six years from the activation date. The value of the contract is Euro 53,874 thousand, net of the annual guaranteed minimum advertising contribution of Euro 14485 thousand.

In the meantime, Teleippica is pursuing under an extension regime, the above-mentioned "broadcasting, elaboration and dissemination of the audio-video signal originating from Italian and foreign horse racetracks" until the activation of the new agreement, which will take place presumably by 29 May 2013.

L.2.3 Resignation of a member of the Control and Risks Committee and the Managing Director

On 29 January 2013, Antonio Casari resigned from his role as member of the Control and Risks Committee and maintained his role as Director.
On 13 March 2013, the Group announced the resignation of the Managing Director Stefano Bortoli, as of the conclusion for the next Shareholders' Meeting for the approval of the financial statement for year 2012. As a result of the waiver of the mandate, as of the date of the Shareholders' Meeting for the approval of the financial statement, the entire board of directors will cease to hold office pursuant to article 14 of the By-laws, since three of the directors appointed by the shareholders' meeting have previously submitted their resignations.

L.2.4 Guaranteed minimums

By judgment no. 1054 filed on 30 January 2013, Section II of the TAR granted the claims of unconstitutionality raised by SNAI with reference to the provisions of Law Decree No. 16/2012 and ordered the suspension of the proceedings and the transmission of the documentation filed in the proceedings to the Constitutional Court; in parallel, it declared the original legal proceedings initiated against the initial demands raised in January 2012 ineligible for continuation, due to lack of interest.
For the entire duration of the constitutionality proceedings, the suspension ruling which does not allow AAMS to enforce the rulings appealed.

L.2.5 Malfunctioning of the VLT Barcrest platform (16 April 2012) - *Disputes related to the entertainment devices business: AAMS' complaints for alleged breaches in the management of the electronic inter-connection network*

The proceedings aimed at the possible revocation of the concession concluded with protocol ruling 2013/8734/Giochi/ADI that was served upon the Company on 22 February 2013 pursuant to which AAMS, on the basis of the observations and documentation made available by the Company and the outcome of the technical verifications and the discovery/review process conducted, established that it did not have to proceed with the revocation of the Concession, and merely applied a number of contractual penalties totaling Euro 1,475 thousand. The amount of the penalty was allocated on reserves in the financial statement for period ended 31 December 2012.

L.2.6 Final award of the new concession for entertainment devices – ADI

On 27 December 2011, SNAI received from AAMS a notification setting forth the temporary award of the new concession related to the construction and operation of the network for the electronic management of lawful gaming through fund and entertainment devices provided under article 110 paragraph 6 of the T.U.L.P.S., as well as the related activities and functions. On 13 November 2012, SNAI obtained the final award of the concession for the operation of the network and, having fulfilled all of the documentary proceedings required, on 20 March 2013 entered into the concession agreement.

M. Annotation related to the safety planning document (Legislative Decree No. 196/03)

The technical rules attached to the privacy code (Legislative Decree No. 196/03) requires, under point 26, that in the directors' report accompanying the annual financial statement, the person in charge of the processing of data must report on the implementation or updating of the safety planning document.
The safety planning document is required as a mandatory minimum safety measure in the event of processing, through IT systems information qualifiable as "sensitive" data or "legal" data based upon the same legislation.
In the company, the IT system also processes sensitive data in connection with the databases used by the various corporate functions for purposes of conducting their day-to-day operations.
Therefore, to fulfill the obligation set forth in point 19 of the above-mentioned technical rules, our company prepares all of the initiatives and documentation such as, for example, the Company IT Rules, that is necessary in order to comply with the applicable laws and regulations.

N. OTHER INFORMATION

N.1. Other information pursuant to art. 2428 of the Italian Civil Code and art. 40 of the Legislatiev Decree 127 (2428 of the Italian Civil Code)

The company does not hold, directly or indirectly, through companies of the SNAI Group or fiduciary companies or indirectly through agents, quotas in the controlling company.
No transaction involving the purchase or sale of shares took place over the course of 2012 or in the first few months of 2013.
Neither SNAI S.p.A. nor other companies of the SNAI Group have ever granted any loan or guarantees either directly or indirectly for the purchase or trading of shares in SNAI S.p.A. or its controlling company.
SNAI S.p.A. and the other companies of the Group are not subject ot particular risks related to the fluctuation of exchange rates.
Greater sensitivity is found in connection with interest rates since the company's loan agreements and liquidity commitments are still tied to 3-month Euribor. The company has entered into derivative contracts for purposes of hedging such risks.

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

N.2. Corporate Governance Report

The Report on corporate governance and shareholding structures was approved by the board of directors at the meeting held on 21 March 2013 and published on the website www.snai.it in the section entitled "Investor Relation".

N.3 Option to take advantage of national tax consolidation

It should be recalled that over the course of June 2012, the parent company, in its capacity as consolidating company, renewed its option to avail itself of tax consolidation pursuant to articles 117 et seq. Dpr 917/1988 for the period 2012-2014; The following companies took part in such option, in the capacity of consolidated companies: Festa S.r.l., Mac Horse S.r.l. in liquidation, Immobiliare Valcarenga S.r.l. and Teleippica S.r.l., which became part of the tax consolidation with effect from tax year 2012. Since tax year 2007, Società Trenno S.r.l. also takes part in the tax consolidation, for which the option is currently in place for the period 2010-2012.
The implementation of tax consolidation can give rise to a number of beneficial effects on the Group's tax burden such as the immediate usability, either total or partial, of tax losses for the period of companies taking part in the consolidation, which are deducted form income earned by the other consolidated companies, as well as the possibility to recover excess interest payable from other consolidated companies, and the possibility to recover excess interest payable that was not deducted by the other consolidated companies in the presence of excess gross operating profit (*Reddito operativo lordo* or ROL) of the other companies taking part in the consolidation.

It should be noted that art. 35 of Legislative Decree No. 78/2011 introduced a new specific assessment procedure for entities taking part in the national tax consolidation (a single assessment act addressed to both the consolidating company and the consolidated company) provided however that companies taking part in the consolidation are jointly liable for the obligations arising under the assessment.

Lastly, it should be noted that the company "SNAI S.p.A." in its capacity as consolidating company and "Società Trenno S.p.A." (which is now incorporated within the same consolidating company) have opted for a neutrality regime for intragroup transfers pursuant to article 123 of the TUIR with regard to the sale by Trenno to SNAI of the harness racing racetrack at Milan San Siro and the harness racing racetrack in Montecatini Terme which took place in March 2006.
Thanks to this option, the Group benefited from the "sterilization" of the tax gain which arose as a result of the above-mentioned sale, in the amount of approximately Euro 32 million. Naturally, such regime of neutrality will cease to apply in the event of a subsequent transfer that is not subject to the regime of neutrality or in the event of the interruption or non-renewal of the national tax consolidation.

Moreover, it should be noted that deferred taxes have been calculated on the real estate properties in question, as explained later, following the transition to international accounting standards.

N.4. VAT Pool of the Group

Since 1 January 2011, the Group's VAT pool was taken over by SNAI S.p.A..

O. PROPOSALS BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,
Trusting in your agreement with the structure and criteria followed in the report on the financial statement for period ended 31/12/12, in its entirety and as to its individual sections, we invite you to resolve upon:

- *the approval of the report, the financial statement and the explanatory notes*

  We request that you approve, together with the directors' report, the financial statement for period ended 31/12/12 which closes with a net loss of Euro 46,062,631.30;

- *the coverage and loss for the year*

  Having the available liquidity, the Board of Directors proposes that the loss for the year set forth in the Balance Sheet and Income Statement be covered as follows:

	Euro
Loss for the year to be covered	46,062,631.30
To be covered by using:	
- the Share Premium Reserve	46,062,631.30

The share premium reserve falls to Euro 108,282,068.66 from Euro 154,344,699.96 and there will be no obligation to reconstitute such reserve.

With this shareholders' meeting, the entire management body automatically ceases to hold office pursuant to article 14 of the By-laws due to the resignation from office on the part of the Managing Director, Stefano Bortoli, since three of the directors appointed by the shareholders' meeting had previously submitted their resignations.
. We ask you to proceed to appoint the new board of directors in accordance with art. 14 of the By-laws which also requests the shareholders' meeting to determine the number of members, the term of office and the related compensation.

On behalf of the Board of Directors
The Managing Director
Stefano Bortoli

Milan, 21 March 2013

****

The executive in charge of drafting the accounting and corporate documents, Dr. Marco Codella declares pursuant to paragraph 5 art. 154 bis of the Financial Services Act that the financial disclosure set forth in this document corresponds with the data contained in the accounting documents and records.

SNAI S.p.A. – Financial Report at 31 December 2012 and Explanatory Notes

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

Milan, 21 March 2013

SNAI S.p.A.
Head Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital of € 60,748,992.20 fully paid up. Taxpayer Code No. 00754850154 – VAT No. 01729640464
Register of Companies of Lucca and R.E.A. [Register of Accredited Businesses] of Lucca no 00754850154

CONTESTS

SNAI S.P.A.: DRAFT FINANCIAL REPORTAT 31 DECEMBER 2012 AND EXPLANATORY NOTES

SNAI S.p.A. - Statement of comprehensive income

mounts in Euros	ote	**Fiscal year 2012**	of which, elated parties, note 31	of which, non-recurrent note 33	**iscal year 2011**	of which, elated parties, note 31	of which, on-recurrent, note 33	**Restated FY 2011 (*)**	of which, related arties, note 31	of which, non-recurrent note 33
evenue from sales of goods and services	3	493,492,457	2,914,194		527,708,183	4,503,423		527,708,183	4,503,423	
ther revenue and income	4	4,230,315	3,636,366		4,718,646	3,939,368		4,718,646	3,939,368	
hanges in inventories of finished goods and work progress	17	(2,896)			1,763			1,763		
aw materials and consumables used	5	(878,546)			(993,063)	(728)		(993,063)	(728)	
osts of third-party services and leasing/rental xpenses	6	(384,329,539)	(18,367,310)		(403,072,485)	(47,904,632)	(2,212,926)	(403,072,485)	47,904,632)	(2,212,926)
osts of third-party employees	7	(19,855,402)	(133,041)		(18,701,759)	(144,862)		(18,701,759)	(144,862)	
ther operating costs	8	(32,435,803)	(32,929)		(39,690,622)	(24,429)	(313,267)	(39,690,622)	(24,429)	(313,267)
apitalised costs of internal work	9	1,096,208			765			765		
arnings Before Interest, Taxes, epreciation & Amortisation		**61,316,794**			**70,735,663**			**70,735,663**		
mortisation and depreciation	10	(57,704,906)			(71,584,495)		(8,665,711)	(71,584,495)		(8,665,711)
ther provisions	26	(11,053,042)			(4,957,250)			(4,957,250)		
arnings Before Interest and Taxes		**(7,441,154)**			**(5,806,082)**			**(5,806,082)**		
ncome/(charges) from equity interests		(6,771,093)			(1,641,721)			(1,641,721)		
nterest income		1,215,161	238,735		2,774,914	1,645,065		2,727,047	1,645,065	
nterest charges		(45,042,189)	(210,022)		(42,300,511)	(1,822,310)	(159,476)	(42,300,511)	(1,822,310)	(159,476)
otal financial income and charges	11	**(50,598,121)**			**(41,167,318)**			**(41,215,185)**		
ARNINGS BEFORE TAXES		**(58,039,275)**			**(46,973,400)**			**(47,021,267)**		
ncome tax	12	11,976,644			5,414,630		(3,394,493)	5,427,793		(3,394,493)
rofit/(loss) for the year		**(46,062,631)**			**(41,558,770)**			**(41,593,474)**		
ther components of statement of comprehensive come	23	(3,059,156)			(3,969,704)			(3,935,000)		
otal net earnings for the year		**(49,121,787)**			**(45,528,474)**			**(45,528,474)**		

(*) The amounts of 2011 have been restated as a result of the early application of the revised IAS 19.

SNAI S.p.A. - Balance Sheet

amounts in Euros	Note	31/12/2012	of which, related parties	31/12/2011	of which, related parties	Restatement 31/12/2011 (*)	of which, related parties
ASSETS							
Fixed assets							
Property, plant and equipment owned		128,571,025		121,723,781		121,723,781	
Assets held under financial leases		17,273,045		27,992,482		27,992,482	
Total tangible fixed assets	13	**145,844,070**		**149,716,263**		**149,716,263**	
Goodwill		231,087,971		231,087,971		231,087,971	
Other intangible assets		151,233,387		184,928,733		184,928,733	
Total intangible fixed assets	14	**382,321,358**		**416,016,704**		**416,016,704**	
Investments in subsidiaries & associates		17,941,746		15,762,052		15,762,052	
Investments in other companies		45,848		45,848		45,848	
Total investments	15	**17,987,594**		**15,807,900**		**15,807,900**	
Prepaid taxes	16	62,371,811		44,156,901		44,156,901	
Other non-financial assets	19	2,145,844		1,361,776		1,361,776	
Total fixed assets		**610,670,677**		**627,059,544**		**627,059,544**	
Current assets							
Inventories	17	3,194,643		2,553,516		2,553,516	
Trade receivables	18	67,590,671	476,317	63,267,062	13,779,10	63,267,062	13,779,10
Other assets	19	36,656,827	1,637,17	38,157,481	679,160	38,157,481	679,160
Current financial assets	20	14,189,924	3,941,39	5,497,022	5,240,16	5,497,022	5,240,166
Cash and cash equivalents	21	9,589,291		37,129,660		37,129,660	
Total current assets		**131,221,356**		**146,604,741**		**146,604,741**	
TOTAL ASSETS		**741,892,033**		**773,664,285**		**773,664,285**	
EQUITY AND LIABILITIES							
Equity							
Share capital		60,748,992		60,748,992		60,748,992	
Reserves		148,650,374		193,268,299		193,303,003	
Profit/(loss) for the year		(46,062,631)		(41,558,770)		(41,593,474)	
Total Equity	22	**163,336,735**		**212,458,521**		**212,458,521**	
Non-current liabilities							
Retirement benefits	24	1,643,193		1,476,858		1,476,858	
Non-current financial liabilities	25	344,425,305		281,184,042		281,184,042	
Deferred taxes	16	47,496,056		44,432,834		44,432,834	
Provisions for risks and charges	26	24,560,160		15,467,627		15,467,627	
Misc. payables & other on-current liabilities	27	1,938,309		5,569,166	1,134,000	5,569,166	1,134,000
Total non-current liabilities		**420,063,023**		**348,130,527**		**348,130,527**	
Current liabilities							
Trade payables	28	33,218,781	1,041,93	20,158,159	538,537	20,158,159	538,537
Other liabilities	27	86,813,239	2,800,05	74,892,816	6,826,53	74,892,816	6,826,530
Current financial liabilities		22,360,255	2,278,45	42,274,262	4,383,00	42,274,262	4,383,002
Current portion of long-term borrowings		16,100,000		75,750,000		75,750,000	
Total financial liabilities	25	**38,460,255**		**118,024,262**		**118,024,262**	
Total current liabilities		**158,492,275**		**213,075,237**		**213,075,237**	
TOTAL EQUITY AND LIABILITIES		**741,892,033**		**773,664,285**		**773,664,285**	

(*) The amounts of fiscal year 2011 have been restated as a result of the early application of the revised IAS 19.

SNAI S.p.A. - Statement of changes in equity

(amounts in thousands of euro)

	Note	Share capital	Legal reserve	Share premium reserve	Extraordinary reserve	Cash Flow Hedge Reserve	Reserve for re-measuring of defined-benefit plans (IAS 19) (*)	Profit (loss) brought forward	Profit (loss) of fiscal year	Total Equity
Balance at 01/01/2011		60,749	1,559	211,319	17,954	0	0	(225)	(33,369)	257,987
Loss for 2010				(15,415)	(17,954)				33,369	0
Profit/(loss) for the year									(41,594)	(41,594)
Other aggregate profit/(loss)	22					(3,969)	35			(3,934)
Aggregate profit/(loss) at31/12/2011						(3,969)	35		(41,594)	(45,528)
Balance at31/12/2011		**60,749**	**1,559**	**195,904**	**0**	**(3,969)**	**35**	**(225)**	**(41,594)**	**212,459**
		Share capital	Legal reserve	Share premium reserve	Extraordinary reserve	Cash Flow Hedge Reserve	Retirement benefit reserve (IAS 19)	Profit (loss) brought forward	Profit (loss) of fiscal year	Total Equity
Balance at 01/01/2012		60,749	1,559	195,904	0	(3,969)	35	(225)	(41,594)	212,459
Loss for fiscal year 2011				(41,559)				(35)	41,594	0
Profit/(loss) for the year									(46,063)	(46,063)
Other aggregate profit/(loss)	22					(2,851)	(209)			(3,060)
Aggregate profit/(loss) at 31/12/2012						(2,850)	(209)		(46,063)	(49,122)
Balance at 31/12/2012	22	**60,749**	**1,559**	**154,345**	**0**	**(6,819)**	**(174)**	**(260)**	**(46,063)**	**163,337**

(*) The reserve is posted as a result of the early application, as from fiscal year 2012, of the revised IAS 19.
The recognition of this reserve has resulted in a change of the same amount in the opening balance of the item "Profit/(loss) for the year".

SNAI S.p.A. - Cash Flow Statement

amounts in Euros	Note	2012	of which, related parties note 31	2011	of which, related parties note 31	Restatement 2011 (*)	of which, related parties Note 31
A. CASH FLOWFROM OPERATING ACTIVITIES OF THE FISCAL YEAR							
Profit/(loss) for the year		(46,062,631)		(41,558,770)		(41,593,474)	
Amortisation and depreciation	10	57,704,906		71,584,495		71,584,495	
Net change in prepaid tax assets/(deferred tax liabilities)	16	(13,991,319)		(10,868,184)		(10,881,347)	
Change in provision for risks	26	9,300,403		5,992,778		5,992,778	
Gains/(losses) realised on disposals of non-current assets (including investments)	4-8	391,158		1,494,410		1,494,410	
Net change in miscellaneous non-current receivables/payables and other assets/liabilities	19-27	(4,414,925)	(1,134,000)	(1,516,027)		(1,516,027)	
V Net change in miscellaneous current receivables/payables and other assets/liabilities	18-19-27-28	21,516,963	8,821,701	(78,866,814)	(12,856,779)	(78,866,814)	(12,856,779)
Net change in retirement benefits	24	(122,24)		(228,238)		(180,371)	
CASH FLOWFROM (USED IN) OPERATING ACTIVITIESOF FISCAL YEAR (A)		**24,322,315**		**(53,966,350)**		**(53,966,350)**	
B. CASH FLOWFROM INVESTMENT ACTIVITIES							
Investments in tangible assets (-)	13	(15,575,174)		(5,521,591)		(5,521,591)	
Investments in intangible assets (-)	14	(5,193,287)		(4,821,891)		(4,821,891)	
Acquisitions of investments in subsidiaries	15	(2,179,694)		(10,934,954)		(10,934,954)	
Proceeds from the sale of tangible, intangible and other non-current assets	4	32,067		65,895		65,895	
CASH FLOWFROM (USED IN) INVESTING ACTIVITIES (B)		**(22,916,088)**		**(21,212,541)**		**(21,212,541)**	
C. CASH FLOWFROM FINANCING ACTIVITIES							
Change in financial receivables and other financial assets	20	(8,692,902)	1,298,768	26,026,782	26,282,401	26,026,782	26,282,401
Change in financial liabilities	25	(35,176,516)	(2,104,548)	(43,388,886)	2,205,575	(43,388,886)	2,205,575
Redemption of financing for acquisition of "concession" assets			0	(228,000,000)	(43,500,000)	(228,000,000)	(43,500,000)
Opening of lines of credit	25	21,000,000		354,750,000		354,750,000	
Repayment of financing	25	(5,750,000)		(1,150,000)		(1,150,000)	
Changes in debts to betting agencies deferred through purchase of ""concession" assets	25	(327,178)		(6,464,906)	(4,174,675)	(6,464,906)	(4,174,675)
CASH FLOWFROM (USED IN) FINANCING ACTIVITIES (C)		**(28,946,596)**		**101,772,990**		**101,772,990**	
CASH FLOWFROM OPERATIONS DISCONTINUED OR PENDING D. DISCONTINUATION(D)		**0**		**0**		**0**	
E. AGGREGATE CASH FLOW (A+B+C+D)		**(27,540,369)**		**26,594,099**		**26,594,099**	
F. NET CASH SURPLUS (DEFICIT) AT START OF PERIOD)		**37,129,660**		**10,535,561**		**10,535,561**	
G. NET EFFECT OF FOREIGN EXCH, GAINS (LOSSES) ON NET CASH SURPLUS (DEFICIT)		**0**		**0**		**0**	
H. NET CASH SURPLUS (DEFICIT) AT END OF PERIOD (E+F+G)		**9,589,291**		**37,129,660**		**37,129,660**	
RECONCILIATION OF NET CASH SURPLUS (DEFICIT) AT THE END OF THE PERIOD:							
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL DEBTS AT THE START OF THE PERIOD, ITEMISED AS FOLLOWS:							
Cash and cash equivalents		37,129,660		10,535,561		10,535,561	
Bank account overdrafts		0		0		0	
Discontinued operations		0		0		0	
		37,129,660		**10,535,561**		**10,535,561**	
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL DEBTS AT THE END OF THE PERIOD, ITEMISED AS FOLLOWS:							
Cash and cash equivalents		9,589,291		37,129,660		37,129,660	
Bank account overdrafts		0		0		0	
Discontinued operations		0		0		0	
		9,589,291		**37,129,660**		**37,129,660**	

(*) The amounts of fiscal year 2011 have been restated as a result of the early application of the revised IAS 19.
The interest charges paid in fiscal year 2012 amounted to about EUR 20,857 thousand (EUR 22,401 thousand in 2011).
The taxes paid in fiscal year 2012 amounted to about EUR 52 thousand (EUR 216 thousand in 2011).

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. RELEVANT ACCOUNTING PRINCIPLES

SNAI S.p.A. (hereinafter also referred to as the "Company") has its registered office in Porcari (Lucca) – Italy – Via Luigi Boccherini, 39.

1.1 Managers' estimates related to the going concern requirements

The Company's financial statements at 31 December 2012 show a loss of EUR 46.1 million, an aggregate loss of EUR 49.1 million, equity of EUR 163.3 million, and net financial exposure to third parties of EUR 369.3 million. The interest charges incurred from 1 January to 31 December 2012 amount to EUR 45 million. At 31 December 2010, the Group had recognised a loss of EUR 41.6 million (including interest charges of EUR 42.3 million), equity amounted to EUR 212.5 million and net financial exposure amounted to EUR 356.6 million

The results recognized for the fiscal year are therefore poorer than expected.

The Managers point out that the difference from the forecasts is substantially due to the effects derived from the developments in the *payout of the* sports bets and the malfunctioning of the Barcrest VLT platform in April 2012. The Managers also consider that (i) if the payout is restored to its historical values and (ii) the corrective actions for replacement of the Barcrest VLT are completed, the Company's performance could once again meet the expectations. Those expectations have therefore been included in the 2013 budget, approved on 29 January, and in the "guidelines for the two-year period 2014-2015" prepared for the purpose of evaluating the financial statements and approved by the Board of Directors in relation to the valuations performed for the purpose of the impairment test.

At the same time, the Company, thanks to successful completion of the process of renegotiating the financial debt on March 2011, has ensured the continuity of funding necessary to support its own development plans.

The Managers therefore consider that the Company's characteristic development and expansion of operations will make it possible to achieve economic equilibrium and generate sufficient cash flows.

It should be pointed out, however, that the Company's capacity to achieve such a balanced position mainly depends on actually achieving the operating and economic-financial performance levels in line with those predicted in the above-mentioned company forecasts. With that in mind, the Management are aware that the strategic objectives identified, which are reflected in the 2013 budget and the strategic guidelines for 2014–2015, inevitably present a certain degree of uncertainty due to the unpredictability of future events and the relevant market characteristics, which may have adverse effects on the capacity to achieve the future earnings and cash flows that have been taken as a basis for main estimations made in drafting these financial statements. Nevertheless, the Managers believe that the above-mentioned strategic objectives are reasonable.

Based on all the foregoing considerations, the Managers believe that the Group is capable of remaining in business for the foreseeable future and have therefore prepared the financial statements based on the going concern assumption.

1.2 Accounting principles

(a) General principles

The annual financial statements at 31 December 2012 were prepared on the basis of the IFRS principles applicable at the time, which were issued by the International Accounting Standards Board and approved by the European Commission.

The accounting principles adopted to prepare these annual financial statements coincide with the accounting principles used to prepare the financial statements at 31 December 2011, except for the adoption of certain new or revised principles of the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee – which did not have any significant effects on the company's financial position or net earnings – and except for the early and retroactive adoption of the amended version of the standard IAS 19 (Employee Benefits). As a result of the application of that standard, the prior year's figures posted for purposes of comparison have been recalculated accordingly ("Restatement").

By IFRS, we mean the revised international accounting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC), adopted by the European Union.

Amendments and new standards and interpretations
As required by paragraph 28 of IAS 8, the IFRS applied by the Company as from 1°January 2012 are indicated and succinctly described below:

- IAS 12 Deferred tax: recovery of underlying assets
- IFRS 7 – Disclosures – Transfers of financial assets
- IFRS 1 First-time adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The adoption of the standards and interpretations is described below:

IAS 12 - Deferred tax: recovery of underlying assets
This amendment clarifies the determination of deferred taxes on investment property measured at fair value. The amendment introduces the rebuttable presumption that a deferred tax asset concerning an investment property measured using the fair value model in IAS 40 must be determined on the assumption that the carrying value will be recovered through sale (on a sale basis). Moreover, it requires that a deferred tax asset on non-depreciable assets measured using the revaluation model in IAS 16 should always be determined on the presumption that the asset will be sold (on a sale basis). The amendment will apply to fiscal years beginning on or after 1 January 2012. This amendment has had no impact on the Company's financial position, earnings or disclosures.

IFRS 7 – Disclosures – Transfers of financial assets
The amendment requires disclosures of transferred assets that have not been derecognized completely in order to allow the users of the financial statements to understand the relationship between the non-derecognised assets and the associated liabilities. If the assets are derecognised completely but the company maintains some continuing involvement it is necessary to provide disclosures that allow users of the financial statements to evaluate the nature of the continuing involvement of the entity in the derecognised assets and the associated risks. This amendment applies to fiscal years beginning on or after 1 July 2011. This amendment has had no impact on the Company's financial position, earnings or disclosures.

IFRS 1 First-time adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
If the date of transition to the IFRS is on or after the date of standardisation of the functional currency, the company may decide to measure all the assets and liabilities held before the data of standardisation using their fair value at the date of transition to IFRS. The fair value may be used as the presumed cost of such assets and liabilities on the IFRS opening Balance Sheet. However, this exemption is only applicable to assets and liabilities subject to serious hyperinflation. This amendment applies to fiscal years beginning on or after1 July 2011; early adoption is allowed. This amendment has had no impact on the Company's financial position, earnings or disclosures.

New Standards and Interpretations adopted by the EU that are not yet in effect but are applied early

IAS 19 (2011) ***(Employee benefits)***
In June 2012, EC Regulation no. 475-2012 was published, adopting on the Community level for the revised version of the standard IAS 19 (Employee benefits), which shall apply retroactively to 1 January 2013, as stipulated by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). SNAI has decided to apply those amendments earlier, as is permitted, from the reporting date of 31 December 2012, in order to reduce the volatility of the amounts stated in the separate income statement.
In particular, for the defined benefit plans (e.g., retirement benefits), IAS 19 (2011) requires recognition of the changes in actuarial profit/loss ("re-measuring") among the other components of the statement of comprehensive income, thereby eliminating the options provided previously.
The early application of the above-mentioned amendments resulted in re-determining the amounts of the income statement for fiscal year 2011. The effects are as follows:

amounts in thousands of Euros	Fiscal year 2011
Interest income–charge-off of actuarial gains	(48)
Income tax	13
Impact on profit/(loss) for the year	(35)

Cash Flow Statement
The early application of the revised version of IAS 19 had no effect on the "Aggregate cash flow" of the Cash Flow Statement.

Standards issued but not yet in effect
This section shows the standards which had already been issued by the Company's balance sheet date but had not yet entered into effect. The list refers to the standards and interpretations that the Company reasonably expects will be applicable in the future. The Company intends to adopt these standards once they enter into effect.

IAS 1 Presentation of Financial Statements – Presentation of the other components of the comprehensive statement of income
The amendment to IAS 1 changes the grouping of the other components of the comprehensive statement of income. The items that might be reclassified (or "recycled") in the statement of income in the future (e.g., at the time of derecognition or settlement) should be presented separately from the items that will never be reclassified. The amendment concerns only the mode of presentation and has no impact on the Company's financial position or its net earnings. The amendment will enter into effect for accounting years beginning on or after 1 July 2012.

IAS 28 Investments in Associates (revised in 2011)
Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Investments and Associates and joint ventures, and describes the application of the equity method to investments in joint ventures, in addition to associates. The amendments will be applicable to the accounting years beginning on or after 1 January 1 2013

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
The amendments clarify the meaning of "currently has a legally enforceable right of set-off'". Moreover, the amendments clarify the application of the set-off criterion under IAS 32 in the case of settlement systems (e.g., central clearing houses) that apply non-simultaneous gross settlement mechanisms. These amendments will not have any impact on the Company's financial position or earnings and will be applicable to fiscal years beginning or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1
This amendment requires first-time adopters of IFRS to apply prospectively the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* existing at the date of transition to IFRSs. The entity may choose to apply the requirements of IAS 39 and IAS 20 to the government loans retroactively if the information necessary to do so has been obtained by the time of initially accounting for the loan. This exception will give the first-time user the benefit of not having to measure the government loans retroactively at an interest rate lower than the market rate. The amendment will apply to fiscal years beginning on or after 1 January 2013. The amendment has no impact on the Company.

IFRS 7 Offsetting Financial Assets and Financial Liabilities – Amendments IFRS 7
These amendments require the entity to disclose its rights of set-off and the related agreements (e.g., guarantees). The disclosure will give the reader of the financial statements useful information for evaluating the effect of the set-off agreements on the entity's financial position. The new disclosure is required for all financial instruments subject to offsetting according to IAS 32 Financial Instruments: Presentation. The disclosure is also required for financial instruments that are subject to enforceable general set-off contracts or similar agreements, regardless of whether they are offset in accordance with IAS 32. These amendments will not have any impact on the Company's financial position or earnings and will apply to fiscal years beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements, IAS 27 (2011) Separate Financial Statements
IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that regulates accounting for consolidated financial statements. It also addresses the issues raised by SIC-12 Consolidation: Special-Purpose Entities.
IFRS 10 establishes a single control model applicable to all companies, including special purpose entities. Relative to the requirements of IAS 27, the changes introduced by IFRS 10 will require management to exercise significant discretion in determining which companies are subsidiaries and must therefore be consolidated by the parent. Based on the preliminary analysis, IFRS 10 is not expected to have any impact on the investments currently held by the Company.
This standard will apply to fiscal years beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Investments in Joint Ventures and SIC-13 Jointly Controlled Entities – Contributions in kind by the participants in the control.
IFRS 11 eliminates the option of accounting for subsidiaries jointly using the proportionate consolidation method. Subsidiaries which, in combination, fall under the definition of a *joint venture* must be accounted for using the equity method instead.
This application of this standard will not have any impact on the Group's financial position since there are no joint ventures in the Group.

IFRS 12 Disclosures of Investments in other companies
IFRS12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. These disclosures concern a company's investments in subsidiaries, jointly controlled entities, associates and structured vehicles. It also provides for new cases of disclosure. The standard will apply to accounting years starting on or after 1 January 2013.
This standard will not have any impact on the Company's financial position or earnings. This standard will apply to fiscal years beginning on or after 1 January 2013.

IFRS 13 – Fair Value Measurement
IFRS 13 establishes a single guideline within the scope of the IFRS for all fair value measurements. IFRS 13 does not change the cases in which it is required to use fair value but rather provides guidance on how to measure fair value within the scope of IFRS, when applying fair value is required or permitted. The Company is currently evaluating the impact that this standard will have on its financial position and net earnings but, based on the preliminary analysis, no significant effects are expected. This standard applies to accounting years starting on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to stripping costs incurred in the production phase of a surface mine. The interpretation addresses accounting for benefits derived from stripping. This interpretation applies to fiscal years beginning on or after 1 January 2013. The new interpretation will not have any impact on the Company.

Annual Amendments, May 2012
These amendments, which will not have any impact on the Company, include the following:

IFRS1 First-time Adoption of the International Financial Reporting Standards
This amendment clarifies that an entity that has ceased to apply IFRSs in the past and that decides or is required to apply the IFRSs has the option of applying IFRS 1 once again. If it does not apply IFRS 1 again, the entity will have to present its own financial statements retroactively as though it had never ceased to apply the IFRSs.

IAS 1 Presentation of Financial Statements
This amendment clarifies the difference between voluntary additional comparative disclosure and required minimum comparative disclosure. Generally, the required minimum comparative disclosure is the prior period.

IAS 16 Plant, property and equipment
This amendment clarifies that significant spare parts and machinery devoted to maintenance that fall under the definition of plant, property and equipment are not inventory.

IAS 32 Financial instruments: Presentation
This amendment clarifies that the taxes on distributions to shareholders are accounted for in accordance with IAS 12 Income Tax.

IAS 34 Interim Financial Reporting
This amendment outlines the reporting requirements for total segment assets and total segment liabilities on the interim finance reports. The clarification is also intended to ensure that the interim period report is aligned with the annual report.
These amendments will apply to fiscal years beginning on or after 1 January 2013.
The accounting layouts adopted by the Company for the fiscal year ended on 31 December 2012 have not changed from those adopted on 31 December 2011.

Layout of the Financial Statements
The layouts adopted by the Company are as follows:

Balance Sheet
The presentation of the balance sheet is based on a distinction between current assets versus non-current assets and current liabilities versus non-current liabilities and, for each asset or liability item, the amounts that are expected to be paid or collected within or after the 12-month period after the reporting date of the financial statements.

Statement of comprehensive income
The statement of comprehensive income reports the items by type, since it is considered to provide mainly explanatory information.

Statement of changes inequity
The statement of changes in equity shows the aggregate profit (loss) for the fiscal year, the effect on each item of the changes in accounting principles and of the error corrections as stipulated in International Accounting Standard No. 8. Moreover the diagram shows the balance of the accumulated profit or loss at the start of the fiscal year, and the transactions of the fiscal year and at the end of the fiscal year.

Cash Flow Statement
The cash flow statement shows the cash flows from the operating, investing and financing activities of the fiscal year. The operating cash flows of the fiscal year are shown using the indirect method by means of which the earnings of the fiscal year are corrected for the effects of the non-monetary operations, of any deferral or provisioning of past or future operating cash flows collected or paid, and any cost or expense items related to the investing and financing cash flows.
Compared to the prior fiscal year, the amount of EUR 1,472 thousand has been restated from the item "impairment of investments in subsidiaries" to the item "acquisition of investments in subsidiaries".

(b) Criteria of drafting

These annual financial statements, in which amounts are expressed in Euros, have been drafted based on the general criteria of historic cost, except for certain buildings, land, plant and equipment measured at deemed cost as defined below as well as derivatives (fixed-odds bets) and investments in other companies recognised at fair value.

Uncertainty of estimates
In applying the Company's accounting principles, the managers have made decisions based on certain hypotheses regarding the future and other important sources of uncertainty in estimates made at the closing date of the financial statements that might result in corrections of the carrying amounts of the assets and liabilities. In particular, goodwill should be checked at least once a year for possible value impairments, which requires estimating the value in use of the cash generating units to which the goodwill is attributed, which in turn is based on the estimation of the expected cash flows from the units and their discounting based on an appropriate discount rate. The assumptions formulated for the purposes of determining the value in use of the individual cash generating units, in support of such asset values, involve a certain amount of uncertainty related to all the predictions. They might therefore require corrections of the carrying amounts in the future depending on the degree of accuracy of the assumptions based on the estimates and, more specifically, on the Company's ability to achieve the objectives of the 2013 budget and of the 2014-2015 guidelines.

Use of estimates
To draw up the financial statements in accordance with the IFRS, the company's management must make evaluations, estimates and hypotheses according to the accounting principles that influence the amounts of the assets, the costs and income recorded in the financial statements. The estimates and the related hypotheses are based on past experience and other factors considered reasonable in the particular case, and are adopted to estimate the carrying amount of the assets and liabilities that may not easily be inferred from other sources
Such estimates and hypotheses are regularly revised. Any changes resulting from the adjustment of the accounting estimates are recognised in the period in which the adjustment is made.
We shall now present some of the key hypotheses regarding the future and other important sources of uncertainty in the estimates as of the closing date of the financial statements which might result in making significant corrections of the carrying amounts of the assets and liabilities in the next fiscal year.

Impairment of non-financial assets
On each financial reporting date, the Company checks all the non-financial assets for indications of impairment. Goodwill and other intangible assets of indefinite useful economic life are tested annually to identify any loss of value; such tests are performed in the course of the year only if there are indicators of impairment. The other non-financial assets are tested annually for impairment if there are indications that the carrying amount might not be recovered. When the value in use has been calculated in advance, the managers must estimate the expected cash flows from the activity or cash-generating units and select an appropriate discount rate in order to calculate the present value of such cash flows. Further details and a sensitivity analysis for the key hypotheses are indicated below.

Deferred tax assets
Deferred tax assets are recognised with respect to tax loss carryovers to the extent that there is likely to be sufficient future taxable income against which such losses may be deducted in future fiscal periods. Managers are required to make a significant discretionary evaluation to determine the amount of deferred tax assets that may be recognised. The managers need to estimate the probable temporary effect and the amount of the future taxable income, as well as the planning strategy for future taxes.

Provisions
The Company recognises provisions mainly in connection with litigation. Given the complexity of the regulatory framework in which the Company operates, estimating the amount of such provisions requires a complex process involving subjective judgments on the part of the Company's Management.

(c) Valuation criteria

Business combinations involving entities or businesses under common control
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Operations of "business combinations involving entities or businesses under common control" are outside the scope of IFRS 3 (IFRS 3.B1)
The transactions of a "business combination of entities under common control" may be included in various legally relevant contractual forms in the financial statements of the fiscal year in which the mergers occur. In the absence of a specific IFRS interpretation or principle that applies to such transactions, IAS 1.13 generally requires the financial statements to give a reliable and faithful presentation of the effects of the transactions. When looking for an accounting treatment that falls within the conceptual scope of the Framework and satisfies the criteria of IAS 8.10, the critical factor is that the accounting principle selected to represent transactions under common control must reflect the economic substance of the transactions, irrespective of their legal form. The presence or absence of "economic substance" therefore appears to be the key factor to be used in selecting the accounting principle.
In this specific case, we believe that the transaction did not have a significant influence on the future cash flows from the transferred net assets. Thus, the application of the principle of continuity of values results in the recognition on the balance sheet of the same amounts as those that would have been stated if the combined (merged) entities had always been united. The net assets of the acquired entity and of the acquiring entity are therefore recognised at the carrying amounts that they had on their own books before the merger. In line with that principle, the subsequent accounting entries will continue to have the amounts used in the previous accounting systems. The income statement equals the aggregate amount of the income statements of the integrated entities.

Investments in subsidiaries and associates
The investments in subsidiaries are equity investments in entities controlled by SNAI S.p.A. Such control is deemed to exist when the company has the power to determine, directly or indirectly, the financial and management policies in order to obtain benefits from its activities.
Associates are entities whose financial and management policies are considerably influenced by the company but not under the company's control.
Paragraph 37 of IAS 27 stipulates that for companies required to draft consolidated financial statements, the investments in subsidiaries and associates that are not held for sale may be measured either at or cost or in accordance with IAS 39 (i.e., at their fair value). SNAI S.p.A. has opted to measure such investments at cost. The investments are tested for impairment whenever there is evidence that an asset may have suffered a loss of value. Whenever there is evidence that the investments in subsidiaries and associates have suffered sudden impairment, the impairment is recognised on the income statement. The original value is reinstated once the reasons for the write-downs have ceased to exist.

Transactions in foreign currency
Transactions in foreign currency are converted at the exchange rate in effect on the transaction date.
Monetary assets in foreign currency on the reporting date of the consolidated financial statement are converted into Euros at the closing exchange rate. Any gains or losses resulting from the conversion are recognised in the income statement, among interest income or charges.

The non-monetary assets valued at historic cost in foreign currency are converted using the exchange rate in effect on the date of the initial recognition of the transaction. The non-monetary assets carried at fair value in foreign currency are converted using the exchange rate of the date on which their value was determined.

(d) Buildings, plant and equipment

Property assets
The tangible fixed assets are carried at cost or deemed cost, less accumulated depreciation and impairment (see principle f). The cost includes incidental charges directly attributable to the initial estimate, if any, costs of disassembly and removal of the asset and site remediation and, finally, an appropriate share of the production costs of self-constructed assets up to the time at which the asset is in the necessary condition to generate income.
That cost includes the costs of replacing parts of the machinery and equipment, when incurred, if they meet the criteria for recognition. If significant portions of buildings, plant and machinery have to be replaced periodically, the Group recognises such portions as independent assets that have a specific useful economic life and are depreciated accordingly. In the same way, whenever a major overhaul is performed, the cost is included in the carrying amount of the plant or machinery as a replacement, if the criterion for recognition is satisfied.
All other repair and maintenance costs are recognised when incurred on the income statement.
If the buildings, plant and machinery consist of various components with different useful economic lives, each such component is accounted for separately.
If events or changes of the situation suggest that it might be impossible to recover the carrying amounts, those amounts are reviewed and if a carrying amount exceeds the presumed realisable value (represented by the greater of the fair value less costs of sale or the value in use), the asset is written down accordingly.

Assets held under financial or operating leases
Assets acquired under financial leasing contracts under which all the rights and benefits related to ownership of the asset are substantially transferred to the Company are recognised as assets at the lesser of their fair value or the amount of the minimum payments outstanding under the lease, including any amount payable in the fiscal year for the purchase option.
The corresponding liabilities to the lessor are represented in the financial statements among the financial liabilities. The minimum payments outstanding under the lease are broken down into the costs of financing and repayment of the remaining debt. The costs of financing are spread among the fiscal years over the full term of the lease in such a way as to obtain a constant interest rate on the remaining debt.
The leased assets are depreciated over their useful economic life (as indicated below) and the value recognised in the financial statements is reduced by that depreciation and any long-term impairments.
The costs of operating leases are recognised on the income statement over the full term of the lease contracts at constant rates.

Depreciation
Tangible fixed assets are systematically written down on the income statement at constant rates according to the useful technical-economic life of the relevant assets, which is defined as the remaining time during which they can be used.
Land is non-depreciable.
The annual depreciation rates used are as follows:
- Buildings: from 3% to 9%
- Plant and machinery: from 10% to 20%
- Industrial and commercial equipment: from 10% to 15.5%
- Other property: from 12% to 20%

The residual value of the assets, the useful economic life and the methods applied are reviewed annually and adjusted, when necessary, at the end of each fiscal year.
Assets which are supposed to be returned to the grantor and do not fall within the intended scope of IFRIC 12 are depreciated over the lesser of the asset's useful economic life or the duration of the concession.

Derecognition
A tangible asset is derecognised from the financial statements when sold, or when no future economic benefits are expected for its use or retirement. Any gains or losses (calculated as the difference between the net proceeds from the sale and the carrying amount) are included in the income statement in the year of derecognition.

(e) Intangible assets

Goodwill
Goodwill is initially measured at the cost that arises from the difference between the aggregate of the consideration transferred and the recognised amount of the net identifiable assets acquired and the liabilities assumed by Company. If the consideration paid is less than the fair value of the net assets acquired, then the difference is recognised in the income statement.

Goodwill is considered to be an asset of an indeterminate useful life and is not amortised but rather subject to impairment tests each year or more frequently (if specific events or changes of circumstances occur that suggest a sudden loss of value). Such tests consist of checking the cash generating unit to which the company's management attributes the goodwill for possible impairment, in accordance with the provisions of IAS 36 - Impairment of the assets. Impairment adjustments cannot be subsequently reversed.

Other intangible assets
Other intangible assets that are purchased or self-created are carried in the assets in accordance with the provisions of IAS 38 - Intangible assets, if it is likely that using the asset will generate future economic benefits and if the cost of the asset may be determined reliably.
Such assets are initially measured at the cost of acquisition or production and, thereafter, less any amortisation, which is determined at a constant rate over the estimated useful economic life.
Research expenses are recognised at cost when incurred.
Development expenses which are intended to apply research findings to a plan or project for the production of new or substantially improved products or processes are capitalised only if it can be demonstrated that the product or process is technically and commercially feasible and the Company has sufficient resources to complete its development. The capitalised expenses include the costs of materials, direct labour and an appropriate share of the general production expenses.
The other intangible assets consist of capitalised costs of software developed in-house.
The expenses related to self-generated goodwill and trademarks are recognised on the income statement in the fiscal year in which they are incurred.
The subsequent expenses related to intangible assets are capitalised only if they increase the future expected economic benefits attributable to the assets in question. All other subsequent expenses are charged to the income statement in the fiscal year in which they are incurred.
Concessions, licences, trademarks and similar rights are capitalised only if they increase the future expected economic benefits attributable to the assets in question.
All other subsequent expenses are charged to the income statement in the fiscal year in which they are incurred.

Amortisation
Amortisation of intangible fixed assets is charged to the income statement at constant rates over the useful economic life of the assets in question, except for goodwill, which is not amortised but rather subject to periodic impairment tests by the Group to check for sudden loss of value. Such testing is performed on each financial reporting date. Intangible assets with a predetermined useful economic life are amortised from the time at which the asset becomes available for use.
The annual amortisation rates applied are as follows, broken down by category:

- patent rights and rights to use original works: from 10% to 33%
- concessions, licences, trademarks and similar rights: from 10% to 33%
- horse racing and sports betting concessions and horse racing and sports betting rights: over the term of a concession expiring between 30/06/2012 and 30/06/2016;
- others: 20%

(f) Impairment of non-financial assets

The Group annually checks the carrying amounts of its own assets to identify any impairment. The Company estimates the recoverable amount of any assets that have suffered sudden impairment according to those checks.
The recoverable amount of the goodwill, of the assets with a predetermined useful life and of intangible assets not yet available for use is estimated at the end of each reporting period.
The recoverable amount is the greater of the fair value of the asset or cash-generating unit, less the cost of sale, and its value in use. The recoverable amount is determined for each individual asset except when the asset generates cash flows that are not largely independent from the cash flows generated by other assets or groups of assets.
Any impairment of cash generating units is first applied towards reducing the carrying amount of any goodwill attributed to the cash-generating unit and, thereafter, to reducing any other assets of the unit in proportion to the carrying amount of each asset that makes up the unit.
To determine an asset's value in use, the accounting standard requires calculating the present value of estimated future cash flows, including taxes, applying a discount rate that reflects the current market valuations of the time value of money and the specific risks of the asset. Impairment is recognised if the recoverable amount is less than the carrying amount. If the impairment of the asset is subsequently eliminated or reduced, the carrying amount of the asset or cash-generating unit is reinstated (except in the case of goodwill).

(g) Reinstatement of values

It is not permitted to reverse impairment of goodwill.
Except for goodwill, the impairment of an asset is reversed when there is an indication that the impairment no longer exists or a change has occurred in the valuations used to determine the recoverable amount. The carrying amount resulting from the reinstatement of the value of an impaired asset must not exceed the carrying amount that would have been determined (less amortisation/depreciation) if the impairment of the asset had never been recognised.

(h) Inventories

The inventories are measured at the (acquisition or production) cost or net realisable value, whichever is less, calculated using the FIFO (First-In, First Out) method. The valuation of the warehouse inventories includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Provisions for impairment are calculated for products considered to be obsolete or "slow movers", taking their expected future use and realisable value into account. To that purpose, the realisable values are periodically recalculated and the impairment is recognised on the income statement at the same time as the impairment occurs.

(i) Investments and other financial assets

IAS 39 provides for the following classifications of financial instruments: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments, and available-for-sale financial assets. Initially all financial assets are recognised at fair value, plus additional charges, in the case of assets other than fair-value assets with changes recognised in profit or loss. The Company determines the classification of its own financial assets at the time of their initial recognition.

Investments in other companies and available-for-sale financial assets
Investments in other companies (with a percentage of ownership less 20%) are measured at fair value and their effects are recognised in equity; if their fair value cannot be reliably determined, the investments are measured at cost and adjusted for impairment, which is recognised in profit or loss. The original value is reinstated if the conditions giving rise to the impairment cease to exist, with the effects recognised in equity.
The risk of possible impairment losses exceeding net worth is recognised in a corresponding provision for risks, to the extent to which the investor is committed to fulfilling statutory or implied obligations on behalf to the investee.
The investments in other companies currently held by the Company are measured at cost rather than at fair value, since the latter cannot be reliably determined.

Impairment of investments in other companies and available-for-sale financial assets
At the end of each reporting period, the Company checks its investments in other companies for evidence of impairment. If the fair value cannot be reliably determined, the impairment is calculated based on appropriate valuations resulting from the investee's financial statements.

Other financial assets
The other current financial assets include current account balances on loans to subsidiaries and to companies under the same parent's control.

(j) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active exchange.
After the initial recognition, such assets are measured according to the criterion of amortised cost, using the effective discount rate method less any provision for impairment.
Short-term receivables are not discounted since the effect of discounting the cash flows is immaterial. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or show signs of impairment.

Fair value
In the case of securities that are widely traded on regulated markets, the fair value is determined by referring to the stock market quotation at the end of the trading on the closing date of the fiscal year. In the case of investments for which there is no active market, the fair value is determined using a valuation method based on the following: the price of recent arm's length transactions; the fair market value of a substantially similar instrument; the analysis of discounted cash flows; option pricing models.

Amortised cost
Held-to-maturity financial assets, as well as loans and receivables, are measured at amortised cost. The amortised cost is calculated using the effective interest rate method less any provisions for long-term impairment. The calculation takes any premiums or discounts upon acquisition into account and includes any transaction costs and fee that form an integral part of the effective interest rate.

Impairment of financial assets
At the end of each reporting period, the Company checks each financial asset or group of financial assets for sudden impairment.
If there is objective evidence that a financial instrument carried at amortised cost has undergone impairment, the amount of impairment is measured as the difference between the carrying amount of the asset and the estimated present value of future cash flows (excluding any future loss on receivables that has not yet been incurred) discounted at the original effective interest rate of the financial asset (i.e., the effective interest rate calculated on the date of initial recognition). The carrying amount of the asset is reduced through a provision for impairment.
The amount of impairment is recognised in the income statement.

If, in a later period, the amount of impairment is reduced for a reason that is objectively attributable to an event that occurred after the recognition of the impairment, the amount that was reduced may be reversed.
Any subsequent reinstatements of value are recognised in the income statement, with the proviso that the carrying amount of the asset must not exceed the amortised cost on the date of reinstatement.

The carrying amount of the receivable is reduced by applying an appropriate provision. Receivables subject to impairment are written off if they prove to be uncollectible.

(k) Cash and cash equivalents

Cash and cash equivalents include cash, deposits repayable on demand, short-term financial investments and other liquid assets that can be converted into cash on short notice and are subject to negligible risks of value fluctuations.

(l) Financial liabilities

Financial liabilities are initially recognised at fair value less transaction costs. After initial recognition, they are measured at amortised cost and any differences between the cost and amount repayable are recognised on the income statement throughout the term of the liability, using the effective interest rate method.
Short-term payables are not discounted since the effect of discounting the cash flows is immaterial.
Any gain or loss is recognised in the income statement whenever the liability is extinguished by any means other than the normal repayment process.

Financial liabilities at fair value with changes recognised on the income statement
Held-for-trading liabilities are those purchased for the purpose of resale in the near future. Derivatives are classified as held-for-trading financial instruments unless they are designated as effective hedge instruments. Gains or losses on held-for-trading liabilities are recognised in the income statement.

Derecognition of financial assets and liabilities
A financial asset (or, as the case may be, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements whenever:

- the rights to receive cash flows from the asset are extinguished;
- the Company retains the right to receive cash flows from the asset but has assumed the contractual obligation to promptly transfer the entirely of those cash flows to a third party;
- the Company has assigned the right to receive cash flows the asset and (a) has substantially transferred all the risks and benefits of ownership of the financial asset or (b) has not substantially transferred all the risks and benefits of ownership of the asset but has transferred the control over it.

A financial liability is derecognised from the financial statements when the underlying obligation of the liability is extinguished, voided or fulfilled.

(m) Financial derivatives and hedge accounting

Initial recognition and subsequent valuation

The Group uses financial derivatives such as interest rate swaps to hedge its own interest rate risks. Such financial derivatives are initially recognised at fair value on the date of signature of the derivative contract and measured at fair value again thereafter. Derivatives are accounted for as financial assets when the fair value is positive or as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are recognised directly in the income statement, except for the effective part of cash flow hedge, which is recognised in equity. For the purposes of hedge accounting, hedges are classified as follows:

- fair value hedges for the risk of changes in the fair value of the underlying asset or liability or an unrecognised firm commitment;
- cash-flow hedges for exposure to variability in cash flows attributable to a specific risk associated with a recognised asset or liability or a highly probable planned transaction or a value or a foreign currency risk related to an unrecognised firm commitment;
- hedges for a net investment in foreign operations.

At the start of a hedging transaction, the Company designates and formally documents the hedge ratio to which it intends to apply hedge accounting, its own risk management objectives and the strategy pursued. The documentation includes identification of the hedge instruments, the hedged item and transaction, the nature of the risk and of the methods by which the company intends to evaluate the effectiveness of the hedge in offsetting the exposure to variations in fair value of the hedged asset or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting the exposure of the hedged asset to variations in fair value or of the cash flows attributable to the hedged risk; the evaluation as to whether such hedges are actually effective is performed on an ongoing basis throughout the accounting years for

which they have been designated.
Transactions meeting the criteria for hedge accounting are recognised as follows:

Cash flow hedges
The portion of profits or losses of the hedged instrument, with respect to the effective part of the hedge, is recognised among the other comprehensive income in the "cash flow hedge" reserve, while the ineffective part is recorded directly in the income statement among other operating costs.

To hedge its foreign currency exposure, the Company uses forward exchange contracts based on the forecasted transactions and firm commitments; similarly, the Company uses forward commodity contracts to hedge against commodity price volatility.

The amounts recognised among other comprehensive income are transferred to the income statement in the period in which the hedged transaction affects the income statement, for example when the financial charge or proceeds are recognised or when a forecasted sale is made. When the hedged asset is the cost of a non-financial asset or liability, the amounts recognised among other comprehensive income are transferred at the initial carrying amount of the asset or liability.

If it is believed that the forecasted transaction will not occur or the firm commitment will not be honoured, the cumulative gains or losses recognised in the cash flow hedge reserve are transferred to the income statement. If the hedge instrument matures or is sold, cancelled or exercised without replacement, or if its designation as a hedge is revoked, the amounts previously recognised in the cash flow hedge reserve will remain in that reserve until the forecasted transaction flows to the income statement.

The Company currently has an interest rate swap used to hedge the cash flows related to financial debt.

<u>Classification as current/non-current</u>
Derivatives that are designated as effective hedge instruments are classified according to the hedged underlying asset; the derivative is divided into a current portion and non-current only if the allocation is expected to be realised.

The derivatives that are not classifiable as "effective hedge instruments" are classified as current or fixed or divided into a current portion and fixed portion, based on the assessment of the facts and circumstances (e.g., the negotiated underlying cash flows):

- If the Company holds a derivative as an economic hedge (and does not apply hedge accounting) for a period greater than 12 months after the financial reporting date, the derivative is classified as fixed (or divided into current and fixed portions) based on the underlying asset;
- Implicit derivatives that are not closely correlated with the main contract are classified according to the cash flows from the main contract;

(n) Retirement benefits (RBs)

Retirement Benefits (RBs) are considered to be a defined-benefit plan according to IAS 19. The defined-benefit obligation, less any plan assets, is determined on the basis of actuarial hypotheses and recognised on an accrual basis consistently with the amount of service required to earn the benefits; the obligation is measured by an independent actuary based on hypotheses concerning discount rates, future wage increases, the mortality rate and pension increases. Such hypotheses are reviewed at the end of each reporting period.
Starting from 1 January 2007, the Financial Act [*Legge Finanziaria*] of 2007 and the related implementing decrees introduced amendments on the subject of RBs, including the worker's right to choose the intended use of his or her own RBs maturing in the supplementary pension fund or the "Treasury Fund" managed by the INPS (Italian national institute of social insurance) Pursuant to IAS 19 "Employee Benefits", the obligation representing the retirement benefits matured at 31 December 2006 that are still recognised after 1°January 2007 on the liability side of the balance sheet constitutes a defined-benefit plan whereas the obligation to the INPS and the contributions of the supplementary pension funds have taken on the nature of defined-contribution plan.
Thus, the obligation to the INPS and supplementary pension contributions is of the "Defined-Contribution Plan" type as defined by IAS 19, whereas the portion recognised in the RB Fund remains classified as a "Defined-Benefit Plan".
The surplus or deficits identified by the actuarial calculation are recognised in other components of the statement of comprehensive income.

(o) Provisions for risks and charges

The Company recognises a provision in the balance sheet whenever it assumes a (statutory or implied) obligation resulting from a past event and it is likely to be necessary to use resources that produce the economic benefits necessary to fulfil the obligation. If the effect is material, the amount of the provisions is represented by the estimated present value of the future cash flows at a discount rate, including tax, that reflects the current market assessment of the present value of the money and the specific risks related to the liabilities. If the obligation is merely possible (that is to say, not probable), or its amount is indeterminable, no provision is recognised but rather a report is given on the situation to determine the potential obligation.

(p) Leasing

Whether or not a contractual agreement is defined as a leasing operation (or containing a leasing operation) depends on the substance of the agreement and requires evaluating whether performance of the agreement depends on using one or more specific assets or whether the agreement transfers the right to use those assets. The contract is re-evaluated after the initial evaluation only if one of the following conditions arises:

1) there is a change in the contractual terms and conditions other than renewal or extension of the contract;
2) an option to renew is exercised or an extension is granted, unless the terms of renewal or the extension were not initially included in the terms of the leasing operation;
3) there is a change in the terms and conditions according to which performance depends on a specific asset;
4) if there is a substantial change in the asset.

If the contract is re-examined in cases 1, 3 or 4 above, the lease will be recognised or derecognised on the date of the change of circumstances that gave rise to the re-examination. If the contract is re-examined in case 2 above, the lease will be recognised or derecognised on the date of renewal or extension.

For contracts signed before 1 January 2005, the effective date is considered to be 1 January 2005 according to the transitional provisions of IFRIC 4.

Operating lease
Payments under an operating lease are recognised as costs in the income statement at constant rates over the life of the contract.

Financial lease
Financial lease contracts, which substantially transfer to the Company all the risks and benefits of ownership of the leased asset, are capitalised on the effective date of the lease at the fair value of the leased asset or present value of the payments, whichever is less. The payments are divided into principal and interest in such a way as to apply a constant interest rate to the outstanding balance of the debt. The interest expenses are charged directly to the income statement.
Capitalised leased assets are written down over the estimated useful economic life of the asset or the term of the lease, whichever is shorter, unless it is reasonably certain that the Company will obtain ownership at the end of the contract.

(q) Revenues and expenses

Revenue is recognised to the extent to which it probable that economic benefits will flow to the Company and the amount of those benefits can be reliably determined. Revenue is presented net of any discounts, rebates and returns.
In particular, revenue from the sale of assets is recognised when the risks and benefits connected with ownership of the assets are transferred to the purchaser, the price of sale has been agreed or can be determined, and collection is planned: that moment generally coincides with the date of delivery or shipment of the asset.
Revenue from services is recognised on an accrual basis as the services are performed.
Revenue from concessions related to the entertainment machines under subsection 6a (AWP) are recognised less the flat-rate gaming tax (PREU) and winnings paid out but inclusive of compensation payable to managers and operators, as well as the concession fees payable to the AAMS.
Revenue from the entertainment machines under subsection 6b (VLT) is expressed in the financial statements in "Revenue from sales of goods and services" less winnings, jackpots and flat-rate gaming tax (PREU) but inclusive of compensation payable to managers and operators, as well as the concession fees payable to the AAMS.
Revenues from remote gaming (games of skill/casino/bingo) are expressed in the financial statements in "Revenue from sales of goods and services" less winnings, jackpots and flat-rate gaming tax (PREU) but inclusive of the cost of the platform and concession fees.
Based on IAS 32 and 39 the collection of fixed-odds bets and "reference-based bets[TN]" generates a financial liability that is measured at fair value. Thus, the receipts generated by accepting fixed-odds bets and "*reference-based bets*" (or bets for which the Company bears the risk of paying out winnings) are presented in the financial statements in "Revenue from sales of goods and services" less the costs of the flat-rate gaming tax, the contribution to the ex ASSI and the winnings and refunds paid out to bettors.
The revenues from accepting totalisator bets, on the other hand, are recognised on the basis of the percentage of the premium established by the agreement for the fiscal year in which the bets are placed.
The revenues and costs related to bets are recognised at the time of the event for which the bet is accepted. The costs of services are recognised on an accrual basis at the time of receipt of the services.
Please note that the ex ASSI Entity was transferred to the Minister of Forestry Agriculture and Food Policy by a decree of that Minister, in accordance with the Ministry of the Economy and Finance, on 31 January 2013 (hereinafter "ex ASSI").

[TN] "Scommesse a riferimento" are horse racing bets accepted in Italy; the odds are calculated on the basis of fixed-odds betting, even on horse racing.

(r) Interest income and expense

Interest income and expense is recognised on an accrual basis in the appropriate time period, using the effective interest rate method.

(s) Income tax

Income tax includes the current and deferred taxes calculated on the Company's taxable income. The income tax is recognised in the income statement, except for income related to transactions directly recognised in equity, which is accounted for in equity.
The current taxes represent the estimated amount of income tax calculated on the basis of the taxable income for the fiscal year.
Prepaid and deferred taxes are allocated, using the liability method, based on the temporary differences between the carrying amounts of the assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes, except for the temporary differences recognised at the time of the initial recognition of goodwill, the differences related to investments in subsidiaries for which the temporary difference will probably not reverse in the foreseeable future. The prepaid tax assets and deferred tax liabilities are measured using the tax rate that it is estimated will be applicable in the fiscal year in which the relevant asset will be realised or the relevant liability will be extinguished; that estimate is based on the enacted or substantially enacted tax rate at the end of the reporting period.
In addition, prepaid taxes are allocated to tax losses carried forward to the extent that it is probable that there will be future taxable income to which that tax loss can be applied.
Prepaid tax assets are recognised to the extent that it is probable that there will be future taxable income to which such assets can be applied, including on the basis of the company budget and tax policies. The carrying amount of the prepaid tax assets is reduced if it is unlikely that the corresponding tax benefit can be put to use.

(t) Held-for-sale assets and discontinued operations

The Company measures a non-current asset (or disposal group) that is classified as held for sale at the lower of its carrying amount or fair value less the costs of sale. Any loss of value that appears relative to the initial valuation of a held-for-sale asset is recognised in the income statement, even if such assets have been revalued. The same treatment is applied to the profits and losses in the subsequent valuations.
A discontinued operation is a component of the group that represents an important independent branch of activities or geographical area of activities or is a subsidiary acquired exclusively with a view to resale.
An operation is classified as discontinued when it is sold or becomes classifiable as "held for sale", whichever comes first. A disposal group may also fall into the category of discontinued operations.

2. Service concession arrangements

The Company operates in the gaming and betting market, mainly consisting of bets on sports and horse races, legal betting based on AWP [Amusement With Prizes] machines (formerly "new slot") and VLT [video lottery] machines, in addition to remote skill games, bingo and casino games. That market is regulated by the State authorities by issuing concessions.
In 2006, the Company created its own bet acceptance network through the initial purchase of 450 betting agencies, corresponding to the same number of sports and horseracing gaming concessions for the collection of bets. It subsequently acquired certain other concessions. Following the creation of that network, the Company participated in the State authority's subsequent calls for tenders, thereby broadening the scope of its bet acceptance network and the types of gaming for which it was authorised to collect bets. By participating in the call for tenders to be awarded the rights to operate new points of sale, pursuant to the Legislative Decree of 4 July 2006 no. 223 (known as the Bersani), SNAI was granted concessions to collect bets on horseracing and sports. More specifically, a sports betting concession (342 shops and 864 sports corners) and a horseracing betting concession (99 shops and 3,787 horseracing betting corners, reduced to 94 shops and 2,472 betting corners as a result of subsequent revocations). This calculation was based on subtracting the following rights from the number of horseracing gaming rights obtained from the Bersani invitation to tender: 5 rights to horseracing gaming shops and 1305 rights to horseracing gaming corners revoked in total in 2011 and (ii) 10 rights to horseracing gaming corners revoked in 2012 by AAMS orders that were not appealed, by decision of the senior managers. Prior to the last-mentioned decisions, SNAI had appealed 100 orders of forfeiture and/or revocation of horseracing gaming corner rights, as explained in greater detail in note 26, so that the corners can still be considered fully owned by SNAI insofar as trials on the merits have not yet been held.
Moreover, two Bersani concessions for remote gaming were integrated at the end of the fiscal year. After that, an autonomous remote gaming concession was awarded for both horse racing and sports betting, which in July 2012, replaced, in the operations, the two remote concessions that had been awarded for horse racing and sports betting. In 2009, the company A.I. Monteverde S.r.l., now part of SNAI, participated in the AAMS call for tenders known as "Giorgetti" for 3,000 horse racing concessions, and was awarded the operating rights for 303 horse betting shops.

The Company holds the following concessions on a final basis:

Owner	**Qty**	**Subject matter**	**Expiration date**	**Note**
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 Article 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws] and related activities	December 2011	(1)
SNAI S.p.A.	228 Concessions	Commercialisation of fixed-odds bets on sports events other than horse races and non-sporting events	June 2012	(2)
SNAI S.p.A.	100 Concessions	Commercialisation of totalisator and fixed-odds betting on horseracing	June 2012	(2)
SNAI S.p.A.	1 Concession Code 4311	Operating of public gaming based on horses, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016	
SNAI S.p.A.	1Concession Code 4028	Operating of public gaming based on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016	
SNAI S.p.A.	1 Concession Code 4801	Operating of public gaming through the activation of the remote horse race gaming networks and the management thereof	June 2016	
SNAI S.p.A.	1 Concession Code 15215	Operating the following forms of public gaming through remote collection: a) sports bets; b) horse racing bets; c) horse and sports forecast bets; d) national horse race gaming; e) games of skill, including tournament style card games; f) bingo.	September 2020	

(1) The effective period will expire on the date stipulated by the AAMS in the new agreement or when notice of exclusion from the selection procedure is given in accordance with the provisions of the AAMS memorandum no. 2011/51539/Giochi/ADI of 29/12/2011.On 13 November 2012, SNAI was notified of the AAMS order granting the final award of contract. On 20 March 2013, the agreement for the new 9-year concession was signed.

(2) The expiration date was originally set to 30/06/2012. Article 10 (9-novies) of Legislative Decree No. 16 of 2 March 2012, converted into the Law No. 44 of 26 April 2012, provides for continuing the collection activities until the date of signature of the agreements granting the concessions awarded pursuant to the invitation to tender under subsection 9-octies of that same Article.

Note to the main items of the statement of comprehensive income

The figures, which are always expressed in thousands of Euros except in specific cases indicated otherwise, are compared with the corresponding amounts from fiscal year 2011, restated as a result of the early application of the revised IAS 19.

3. Revenue from sales of goods and services

The revenue from sales of goods and services, which amounts to EUR 493,492 thousand (versus EUR 527,708 thousand), is broken down as follows:

thousands of Euros	Fiscal year 2012	Fiscal year 2011	Change
Net revenue from fixed-odds and reference bets	123,928	154,774	(30,846)
Revenue from totalisator, national horseracing & forecast bets	33,365	46,464	(13,099)
Revenue from entertainment machines (ADI)	296,557	288,096	8,461
Net revenue from remote gaming (Skill/Casino/Bingo)	22,348	17,334	5,014
Bet collection services	6,680	8,110	(1,430)
Revenue from on-line Bingo services	103	1,181	(1,078)
Revenue from service and assistance contracts	6,830	7,896	(1,066)
Revenue from horseracing business rental	2,582	2,582	
Revenue from organisation and technology sales	111	150	(39)
Other revenue from services and chargebacks	988	1,121	(133)
Total	493,492	527,708	(34,216)

The following table breaks down the item "Net revenue from fixed-odds and reference bets", showing the winnings, refunds and taxes:

thousands of Euros	Fiscal year 2012	Fiscal year 2011
Revenue from sports betting	886,886	889,594
Sports winnings and refunds	(734,018)	(696,944)
Flat-rate tax on sports bets	(31,204)	(41,027)
Net revenue from sports betting	121,664	151,623
Revenue from horseracing bets	25,894	31,091
Horseracing winnings and refunds	(20,320)	(24,015)
Flat-rate tax on horseracing bets	(1,089)	(1,291)
Cost of horseracing contribution	(2,221)	(2,634)
Net revenue from horseracing bets	2,264	3,151
Total net revenue from fixed-odds and reference bets	123,928	154,774

The decrease in net revenue from sports besting the fiscal year is mainly due to reduced collection and higher payout relative to the prior year. In fiscal year 2012, the payout on the sports bets proved to be about 82.7% versus 78.3% in 2011. The net revenue includes the release from the additional tax on payout less than 80%. We remind that you that for 2011 an additional tax was stipulated in the event that the payout proved to be less than 80% of the amount collected; in the course of 2012, that the law that provided for that tax was repealed, so that the provision recognised at 31 December 2011 was reversed on the income statement in fiscal year 2012.

Revenue from totalisator, national horseracing & forecast bets was reduced above all by the crisis in the horseracing sector that broke out into a 40-day strike by Italian horseracing companies at the start of 2012; which resulted in a contraction of activities and thus of income in this sector.

The revenue from concession for management of the network of entertainment machines (ADI) amounted to a total of EUR 296,557 thousand for fiscal year 2012, which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item "Costs of third-party services and leasing/rental expenses" in note 6.

We remind you that the concessionaires are required to pay AAMS 0.50% of the total amount bet on each of the gaming machines connected to the IT network by way of a security deposit, to guarantee that the agreed service levels will be achieved. The balance sheet shows the amount of EUR 14,181 thousand paid for the "Entertainment machine security deposit" in 2012 (see note 20). The security deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. The Directors' Decree 2012/60229/giochi/adi has established the criterion and procedures for security deposit refunds for 2012. The Company, based on the assumed information and internal checks performed, considers that the service levels achieved in the current period are sufficient to allow the security deposit to be refunded.

7 July 2011 marked the commencement of Casino Game operations, including remote gaming services; the following table shows the breakdown of the item "Net Revenue from Remote Gaming (Skill/Casino/Bingo):

thousands of Euros	Fiscal year 2012	Fiscal year 2011
Remote gaming revenue	923,347	528,153
Remote gaming winnings	(893,112)	(504,174)
Flat-rate tax on remote gaming	(7,887)	(6,645)
Total net revenue from remote gaming (Skill/Casino/Bingo)	22,348	17,334

4. Other revenue and income

The other revenue and income of EUR 4,230 thousand (versus 4,719 thousand [in 2011]) breaks down as follows:

thousands of Euros	Fiscal year 2012	Fiscal year 2011	Change
Revenues from services and chargebacks to Group companies	638	792	(154)
Rental of assets and expense chargebacks	2,873	3,197	(324)
Sale of options	17	203	(186)
Active trading	35	90	(55)
Revenue from compensation and reimbursement for damages	133	25	108
Gains on disposal of assets	10	33	(23)
Other revenue and income	524	379	145
Total	4,230	4,719	(489)

The item "rental of assets" includes the rental payments and additional expenses mainly charged back to the Group companies. For more information about intragroup services, please see note 31 "Related Parties".

5. Raw materials and consumables used

The raw materials and consumables used amount to a total of EUR 879 thousand (EUR 933 thousand in fiscal year 2011), mainly related to materials used for bet collection, technology and the furnishings installed in the new points of sale. The capitalised assets amount to EUR 5,856 thousand (EUR 1,045 thousand at 31December 2011).

6. Costs of third-party services and leasing/rental expenses

Costs of third-party services and leasing/rental expenses amounted to a total of EUR 384,330 thousand (EUR 403,072 thousand), as broken down below:

thousands of Euros	Fiscal year 2012	Fiscal year 2011	Change
Bet acceptance management	92,363	108,033	(15,670)
Entertainment machine services	232,498	233,535	(1,037)
Remote gaming management (Skill/Casino/Bingo)	5,387	5,326	61
Bookmakers	1,751	2,013	(262)
Information to prepare odds and posters	696	1,114	(418)
Remote-gaming services	5,601	2,959	2,642
SNAI Point Coordinators	45	57	(12)

Consulting and cost reimbursements	6,078	8,147	(2,069)
Utilities and telephone	6,608	7,275	(667)
Support and maintenance	7,657	6,720	937
Advertising and promotion	7,927	7,655	272
Information Services	3,280	3,677	(397)
Installations, logistics and designing	1,784	1,621	163
Misc. occasional collaboration & services	325	541	(216)
Insurance and guarantees	1,367	1,168	199
Market research	613	683	(70)
Festa help desk and call centre	2,823	2,569	254
TV and radios services	1,978	3,438	(1,460)
Services from Group companies	298	307	(9)
Other services	1,962	2,302	(340)
Directors' fees	1,122	1,214	(92)
Auditors' fees	175	336	(161)
Reimbursements to directors and auditors	28	53	(25)
Compensation to audit company	520	473	47
Compensation to supervisory board and other boards	116	51	65
Rental expenses and additional charges	714	1,241	(527)
Operating leases and other leasing	614	564	50
Total	384,330	403,072	(18,742)

The table shows:

- the management fees for accepting bets of EUR 92,363 thousand (EUR 108,033 thousand in 2011) paid to the managers of the horseracing and sports gaming shops and corners; the reduction relative to the prior year is due to less revenue earned on horseracing and sports bets and the new mode of network compensation for remote gaming promotion and broadcasting activities: in 2012, such costs are recognised under "Remote gaming services" whereas in 2011 they were classified under "Bet acceptance management";
- entertainment machine costs (totalling EUR 232,498 thousand versus EUR 233,535 thousand in 2011) include the compensation paid third parties in charge of collection and VLT platform costs;
- the costs associated with remote gaming management (Skill, Casino and Bingo) of EUR 5,387 thousand (versus EUR 5,326 thousand), mainly represented by the costs of the gaming platform and management of the on-line poker tournaments.

The "Others" item mainly includes surveillance and secure transportation of money and valuables, cleaning services, postage and shipping, waste disposal and management of company motor vehicle fleets.

7. Personnel expenses

Personnel expenses amounted to a total of EUR 19,855 thousand (versus EUR 18,702 thousand in 2010), with an increase of EUR 1,153 thousand (+6.174%) mainly due a new bonus system introduced in 2012 for managers, middle managers and employees in charge of departments, which will be paid out over the next few months, in addition to increases in salaries provided and an early retirement incentive paid to personnel who retired in 2012.

thousands of Euros	Fiscal year 2012	Fiscal year 2011	Change
Wages and salaries	13,457	13,056	401
Social security charges	4,016	3,792	224
Provision for defined-benefit/defined-contribution plans	897	792	105
Reimbursement of expenses and transfers	390	357	33
Personnel training costs	77	40	37
Vouchers for meals and company canteen	439	370	69
Gifts to employees	35	30	5
Other personnel expenses	544	265	279
Total Personnel Costs	19,855	18,702	1,153

The item "Provision for defined-benefit/defined-contribution plans" also includes the impact on the income statement of the retirement benefit valuation under IAS 19.

The composition of the employees at year-end is illustrated by the following table, which shows an increase of 86 individuals relative to 31 December 2011, mainly due to stabilisation by direct hiring of former fixed-term employees and to implementation of the "core business" structures.

	31/12/2011	Entered in period	Departed in period	31/12/2012	Average no. in period
Directors	17	4	5	16	15
Office workers and middle managers	296	110	26	380	365
Workers	4	3	-	7	7
Total employees	317 *	117	31	403 **	387

* including 26 part-time and 9 on maternity leave
** including 46 part-time and 10 on maternity leave

8. Other operating costs

The other operating costs amounted to a total of EUR 32,436 thousand (versus EUR 39,691 thousand).

thousands of Euros	Fiscal year 2012	Fiscal year 2011	Change
Concessions and licences	15,459	14,144	1,315
Other taxes and duties	342	408	(66)
Flat-rate municipal tax [I.M.U.]	1,141	468	673
% non-deductible VAT	5,216	6,614	(1,398)
Entertainment expenses	130	153	(23)
Association contributions	170	598	(428)
Provision for doubtful debts	7,795	12,449	(4,654)
Credit losses	126	922	(796)
Provision for risks	162	769	(607)
Stationery, consumables and promotional materials	499	339	160
Ordinary purchases of goods and services	382	537	(155)
Losses on disposal of fixed assets	401	1,491	(1,090)
Other administrative and management costs	613	799	(186)
Total	32,436	39,691	(7,255)

The concessions and licences item includes, among other things:

- the concession fee for the legal gaming on entertainment machines (ADI) of EUR 8,505 thousand, calculated at 0.30% of the volume wagered and paid to AAMS on a bimonthly basis;
- the concession fee for the marketing of fixed-odds betting on sporting events other than horse racing and on non-sporting events as per Art. 4 of the Convention, approved by Directors Decree 2006/22503 of 30/06/06 and for the marketing of fixed-odds betting on sporting events other than horse racing and non-sporting events as per Art. 4 of the Convention, approved by Directors Decree 2006/22503 of 30/06/06, and for the marketing of public gaming concessions "in the exercise of horse racing and sports betting" via the rights awarded through the call for tenders in 2006 ("Bersani rights") and the rights awarded through the call for tenders in 2008 ("Giorgetti rights"), as provided by the respective concessions, in the amount of EUR 6,248 thousand;
- the concession fee for remote public gaming under the corresponding concessions in the amount of EUR 666 thousand;

In 2012, a provision for doubtful debts was recognised in the amount of EUR 7,795 thousand in accordance with the best estimates of recoverability of receivables in previous financial years pertaining to the company's typical operations that have proven increasingly difficult to collect in the course of business.

In fiscal year 2011, a provision for risks was recognised for technological upgrades in the amount of EUR 162 thousand, EUR 133 thousand of which was provided for by Article 19 of the AWP Concession.

The item "% non-deductible VAT", equal to EUR 5,216 thousand, is due to the various types of activities carried out by the Company that generate revenues that are subject to VAT in some cases and exempt from VAT in others, with a resulting impact on the non-deductibility of the VAT on purchases.
The company has opted for separate activity for VAT purposes, which means that, for purchases related to activities that generate taxable transactions, the VAT is deductible, while the VAT on purchases that generate exempt transactions it is entirely non-deductible.
As regards the tax on goods and services used in common by all the lines of activities, the VAT is deducted within the limits of the part that attributable to the activity that produces the related taxable income; the cost of the non-deductible VAT was calculated by determining specific criteria of distribution.

9. Capitalised costs of internal work

Capitalised costs of internal work, amounting to a total of EUR 1,096 thousand in fiscal year 2012 (versus EUR 765 thousand), are substantially related to software developed in-house for:

- Business Intelligence support systems
- central systems for Online Bingo management
- Business reporting and management systems (Control Room)
- central and peripheral-terminal bet acceptance systems
- central systems to manage the dialogue with AAMS and customer billing services for entertainment machines
- central systems, gaming interfaces and integration reports for remote gaming collection via SnaiCard
- Business Intelligence networking solutions
- development and expansion of the company ERP
- central and peripheral systems for the management additional services at the points of sale
- central and web interface systems for the integration and sale of the games mentioned
- Skill (tournament poker, cash poker, casino games, slot)
- web-based solution for supplying information to the Manager, knowledge base, manuals, how-to, integration with a system to open requests for maintenance and procurement of consumables (SnaiPartner)
- point-of-sale display systems (new graphics pages, Live bets, HD pages)
- central systems to manage dialogue with AAMS, reporting, customer services (VLT).

10. Amortisation and depreciation

The total depreciation and amortisation amounts to EUR 57,705 thousand (EUR 71,584 thousand), as shown in detail below:

thousands of Euros	Fiscal year 2012	Fiscal year 2011	Change
Amortisation of intangible fixed assets	38,726	43,396	(4,670)
Depreciation of tangible fixed assets	18,423	18,767	(344)
Write-downs	556	9,421	(8,865)
Total	57,705	71,584	(13,879)

For more details on the item "Amortisation and depreciation", please see please see notes 13 and 14 on tangible and intangible fixed assets.

11. Financial income and charges

Net charges amounted to EUR 50,598 thousand, with an increase of EUR 9,383 thousand, as detailed below:

thousands of Euros	Fiscal year 2012	Restatement Fiscal year 2011	Change
Income from Investments:	97	2,201	(2,104)
Dividends from MacHorse	-	84	(84)
Dividends from Immobiliare Valcarenga	-	48	(48)

Dividends from Festa	-	500	(500)
Dividends from Teleippica	-	1,524	(1,524)
Dividends from Alfea	-	40	(40)
Dividends from Connext	-	5	(5)
Gains on closure of Mac Horse liquidation	97	-	97
Expenses from investments:	6,868	3,843	3,025
Write-down of investment in Trenno	1,500	3,224	(1,724)
Write-down of investment in Hippogroup	-	13	(13)
Write-down of investment in SNAI Olè	-	61	(61)
Losses on investment in Trenno	5,368	525	4,843
Losses on investment in SNAI Imel	-	20	(20)
Other Financial income	1,215	2,727	(1,512)
Gains on foreign exchange	1	1	-
Bank interest income	618	647	(29)
Interest income from subsidiaries	222	603	(381)
Interest income from ex parent SNAI Services	-	284	(284)
Misc. interest income	374	1,192	(818)
Financial charges	45,042	42,300	2,742
Interest expenses on loans	22,686	25,564	(2,878)
Interest expenses on bank accounts	243	698	(455)
Interest expenses to subsidiaries	210	177	33
Interest liabilities and charges on leasing	5,112	5,821	(709)
Other interest expense	210	732	(522)
Exchange rate losses	3	4	(1)
Commissions on guarantees	2,851	2,693	158
Bank charges	768	553	215
Loan charges from discounting liabilities	76	482	(406)
Other financial charges	12,883	5,576	7,307
Total financial income and charges	(50,598)	(41,215)	(9,383)

The item "financial income" shows the interest income earned on bank accounts (EUR 617 thousand) and other interest income (EUR 374 thousand) mainly calculated on the extensions granted on trade receivables.

The financial charges include the following:
- charges calculated in accordance with the depreciated cost method under IAS 39 by applying the effective interest rate on loans (for more details on financing please see note 25) for a total of EUR 22,686 thousand of which EUR 3,628 thousand can be attributed to accessory costs;
- interest expenses calculated on financial leasing in the amount of EUR 1,760 thousand and expenses on leasing in the amount of EUR 3,352 thousand, including non-deductible VAT;
- other financial charges, including EUR 2,519 thousand for loan charges, EUR 7,006 thousand for the exercise of the Market Flex clause due to the lack of syndication and EUR 3,346 thousand for derivative hedge spread.

For more details on the outstanding items against the Group companies, see 31 "Related Parties".

12. Income tax

The current income tax, inclusive of the IRES [corporate income tax] and IRAP [regional production tax], as well as the prepaid and deferred tax recognised in 2012, constitute a positive component in the amount of EUR 11,977 thousand.

thousands of Euros	Fiscal year 2012	Restatement Fiscal year 2011
IRAP [regional production tax]	709	1,270
Tax on prior years	(963)	-
Deferred tax liabilities	5,597	5,373
Prepaid tax assets	(16,481)	(15,029)

Use of deferred tax provision	(2,534)	(2,755)
Use of prepaid taxes assets	1,695	2,319
Taxes related to tax assessment notice	-	3,394
Total	(11,977)	(5,428)

The table shown below shows the reconciliation between the tax charges of IRES and IRAP resulting from the 2011 financial statements and the theoretical amount (in thousands of euro):

		Fiscal year 2012		Restatement Fiscal year 2011
Pre-tax profit		(58,039)		(47,021)
Theoretical IRES tax charges	*27.5%*	15,961	*27.5%*	12,931
Theoretical IRAP tax charges	*4.2%*	2,438	*4.2%*	1,975
Total recovery/(Charge) theoretical tax		**18,399**		**14,906**
Fines, Penalties and other Fees		(354)		(226)
Investment depreciation		(1,476)		(907)
Other permanent non-deductible costs		(3,052)		(562)
Non-taxable dividends		25		575
Other permanent deductions		181		39
		13,723		13,825
Permanent differences in IRAP (including employees)		(2,709)		(5,003)
		11,014		**8,822**
Prior year's taxes and duties		962		(3,394)
Effective tax burden	***-20.1%***	**11,976**	***-11.5%***	**5,428**

For more details about the effects resulting from the tax charge and consolidated tax, refer to what is specified in detail in note 17, Prepaid tax assets and deferred tax liabilities" in these Explanatory Notes. The year 2007 is defined for the purposes of direct and indirect taxes. For more details on tax disputes, please see note 26.

Note to the main items of the balance sheet

The comparison between values, always expressed in thousands of euro unless otherwise indicated, is based on the corresponding balances of fiscal year 2011 restated as a result of the early application of the revised IAS 19.

13.Tangible fixed assets

The tangible fixed assets at 31 December 2012 amounted to EUR 145,844 thousand (versus EUR 149,716 thousand). The changes in the fiscal year are due to the combined effect of the annual depreciation (EUR 18,423 thousand), investments(EUR 15,575 thousand), write downs (EUR 397 thousand) and retirements/sales, less the provision for depreciation (EUR 627 thousand).

thousands of Euros	Buildings & grounds	Plant & machinery	Other assets	Total
Cost				
Balances at 31 December 2011	**133,957**	**114,595**	**19,083**	**267,635**
Restatements		13	(13)	-
Other increases	1,544	10,825	3,206	15,575
Decreases	(1)	(2,300)	(1,123)	(3,424)
Balances at 31 December 2012	**135,500**	**123,133**	**21,153**	**279,786**
Depreciation and impairment losses				
Balances at 31 December 2011	**27,124**	**82,064**	**8,731**	**117,919**
Depreciation for the year	2,896	13,392	2,135	18,423
Write-downs			397	397
Retirements	(1)	(2,125)	(671)	(2,797)
Restatements		5	(5)	-
Balances at 31 December 2012	**30,019**	**93,336**	**10,587**	**133,942**
Carrying amounts				
At 31 December 2011	106,833	32,531	10,352	149,716
At 31 December 2012	105,481	29,797	10,566	145,844

The item "plant and machinery" includes electrical, water, fire-prevention, and air conditioning systems, as well as maintenance operations to bring those systems up to standard, electronic machines and the technology to connect the network to the central systems.

The increases at 31 December 2012, in the amount of EUR 15,575 thousand, mainly relate to:

- the item "Buildings and Grounds "in the amount of EUR 1,544 thousand, mainly for reinforcement and improvement of structural works, stables and Ippodromo del Galoppo [galloping racetrack in Milan];
- the item "Plant and Machinery" in the amount of EUR 10,825 thousand: EUR 943 thousand for electrical heating and electrical systems, EUR 4,474 thousand for technology made available on loan to points of sale, EUR 4,694 thousand to build interconnecting networks for the points of sale and EUR 714 thousand for hardware acquisition costs(servers, printers., PCs and monitors) and other equipment and accessories to carry out the various activities;
- the item "Other assets" in the amount of EUR 3,206 thousand: EUR 2,440 thousand for equipment on loan to points of sale, EUR 204 thousand in hardware for the self-managed shops and EUR 562 thousand for equipment for the company offices.

The write-downs (EUR 397 thousand) mainly concern write-downs on equipment retired from the shops closed.

The financial charges under "tangible fixed assets" were not capitalised because the Company has no qualifying activities as defined by IAS 23.

Leasing

The Company has entered into lease contracts for the use of certain plant, machinery and equipment that will expire at various dates up to June 2016. These leases contain redemption and/or extension clauses.
The property of Porcari, included in "Buildings & Grounds", is under a financial lease with Ing Lease Italia S.p.A., for a historical cost of EUR 3,506 thousand, of which EUR 387 thousand is related to grounds, and EUR 795 thousand to a depreciation Fund, at 31 December 2012.

The following table shows the minimum future lease payments:

thousands of Euros	Total
Total commitment 31/12/2012 of which:	16,692
Payments due within 12 months	11,149
Payments due in 1 to 5 years	5,543
Payments due in more than 5 years	-
Residual value	958

The operating lease payments outstanding do not involve significant amounts.

14. Intangible fixed assets

Intangible fixed assets at 31 December 2012 amount to EUR 382,321 thousand (EUR 416.017 thousand); the changes in the fiscal are due to the combined effect of annual amortisation (EUR 38,726 thousand), investments (EUR 5,193 thousand), write-downs (EUR 159 thousand) and retirements less amortisation (EUR 4 thousand).

thousands of Euros	Good-will	Concessions licences trademarks& similar rights	Industrial patent rights and use of intellectual property	Intangible assets in progress and advances	Other	Total
Cost						
Balances at 31 December 2011	**254,246**	**380,897**	**12,676**	**41,481**	**10,125**	**699,425**
Restatements		26,909		(26,941)	32	0
Other increases			939	2,721	1,533	5,193
Decreases		(11,394)	(10)		(349)	(11,753)
Balance at 31 December 2012	**254,246**	**396,412**	**13,605**	**17,261**	**11,341**	**692,865**
Amortisation & impairment						
Balances at 31 December 2011	**23,158**	**244,034**	**10,924**	**-**	**5,292**	**283,408**
Annual amortisation		36,823	284		1,619	38,726
Write-downs					159	159
Retirements		(11,394)	(6)		(349)	(11,749)
Balances at 31 December 2012	**23,158**	**269,463**	**11,202**	**-**	**6,721**	**310,544**
Carrying amounts						
At 31 December 2011	231,088	136,863	1,752	41,481	4,833	416,017
At 31 December 2012	231,088	126,949	2,403	17,261	4,620	382,321

The investments of EUR 5,193 thousand mainly concern:

- the item "Industrial patent rights and use of intellectual property" of EUR 939 thousand, including EUR 245 thousand for SIEM licences for VLTs, EUR 134 thousand for SPSS predictive marketing analysis systems, EUR 195 thousand for

office automation licences system licences, EUR 57 thousand for scanning control and EUR 231 thousands of euro for finance and control management program licences;
- the item "Others" of EUR 1,533 thousands, concerning the multi-year costs incurred for software program implementations: EUR 199 thousand for production systems, EUR 258 thousand for implementation of administrative, financial and control software, and EUR 1,076 thousand for software developed in-house (for more details see note 9);
- the item "assets in progress" amounts to EUR 2,721 thousand: EUR 2,444 thousand for the payment of a one-time tax in December 2012 on the AWP machines for which SNAI S.p.A. has requested a permit (as required by the system under the agreement for the new AWP – VLT concession) and EUR 277 thousand for costs of uncompleted software developed in-house.

After the relevant French authority revoked the remote sports-betting acceptance concession of the subsidiary SNAI France, the costs capitalised for software developed in-house were written down (EUR 159 thousand).

"Intangible assets in progress" include the rights acquired for the VLTs (EUR 14,540 thousand) for gaming devices not yet tested by the AAMS.

The financial charges under "intangible fixed assets" were not capitalised because the Company has no qualifying activities as defined by IAS 23.

The existing goodwill of EUR 231,088 thousand is allocated to the following cash-generating units (CGU):
- EUR 219,951 thousand to the Concessions CGU, of which EUR 219,241 thousand was generated through acquisition of the concessions business from 16 March 2006 and EUR 710 thousand generated by acquisition of the equity interest in Agenzia Ippica Monteverde S.r.l." (now merged with SNAI S.p.A.). This CGU represents the operations related to managing the horseracing and sports concessions entrusting the activation and operational management of the networks for the telematics management of legal gaming on amusement and entertainment machines and related activities and functions" (slot machines - AWP and videolottery - VLT), in addition to activities related to skill games, bingo and casino games;
- EUR 11,137 thousand to the Betting Services CGU, provided by SNAI Services Spazio Gioco S.r.l., incorporated into SNAI S.p.A. in 2002, consisting of activities related to telematics services provided a bet acceptance points.

Pursuant to the international accounting standards, in particular IAS 36, goodwill is checked annually for a loss of value (impairment test). If the test shows a loss of value, the Company recognises a write-down on the balance sheet.

For the Company, the impairment test was based on a comparison of the recoverable value of the cash generating units (CGUs) to which the goodwill is attributed and the carrying amount of those CGUs. In this particular case, the type of value used to determine the recoverable amount of the CGU to which the goodwill allocated is the value in use, estimated on the basis of expected cash flows discounted at an appropriate discount rate. In particular, the estimate of the value in use is made by discounting the operating financial flows of the GCUs at a rate equal to the Weighted Average Cost of Capital (WACC).

The analyses to check the carrying amount of goodwill were applied to the Services GCU and Concessions GCUs.

The cash flows for the years 2013-2015 of the Services GCU, the Concessions GCU and Television Services GCU were calculated on the basis of the assumptions in the 2013 budget and the multiannual strategic guidelines for 2014-2015, drawn up for the balance sheet valuations. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value). For the purposes of calculating the residual value, a normalised cash flow was extrapolated from the last year of explicit projection (2015), to which an annual growth rate ("g") of 0.5% was applied. The terminal value also takes into account any disbursements necessary on a periodic basis to renew the concessions.
The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 8.25% (in line with the value used in the prior year).

The analyses revealed a recoverable value of the cash generating units higher than the carrying value. Sensitivity analyses were also conducted to check the effects of variations in certain significant parameters on the impairment test results.

In particular, we note that the excess of the value in use in the Concessions CGUs compared to the carrying amount (including the goodwill attributed to it) in the amount of EUR 225.4 million will be reduced to zero if any of the following hypothetical cases occurs: (i) increase of 2.7 percentage points in the annual payout relative to the value assumed in the budget; (ii) increase of 2.4 percentage points of the annual discount rate; (iii) a final rate of negative nominal growth of 2%. It should be noted finally that the surplus of value will remain positive even it is assumed that the nine-year concessions will only be renewed up to 2027.

In relation to the Services GCUs, the excess value in use compared to carrying amount (including the related goodwill) in the amount of EUR 29.5 million would be reduced to zero by an increase of 20.3 percentage points in the discount rate.

No changes have been made in the basic assumptions underlying the cash flows, since they have not undergone any significant changes and are still in line with the forecasts, since they based on well-established contractual relationships.
With regard to the assessment of value in use of the CGUs above the directors believe that there cannot reasonably be a change in the above key assumptions that could produce a carrying amount of the unit below the recoverable amount of the same.

With regard to the valuation of the value in use of the above-mentioned CGUs, the directors believe no change in the above key assumptions can reasonably be expected to occur that could reduce the carrying amount of a CGU to less than its recoverable amount.

Based on the results of the impairment test, the Company did not write down any of the above-mentioned goodwill, since there is no evidence of impairment.

15. Investments

The Company holds shares in the companies as specified in Annexes 1, 2 and 3 to these Explanatory Notes. For the information required by DEM Notification 6064293 of 28 July 2006, please see Annex 1 to the consolidated financial statements presented together with these notes.

All the investments are valued at cost. The company has carried out an analysis to identify any indications of impairment indicators and/or impairment loss in subsidiaries or any disappearance of the reasons that gave rise to a write-down of the investments in previous years. In cases where the impairment analyses revealed a loss of value, the carrying amount was written down to the corresponding recoverable amount. The Company has made provisions for the holding assessment rectifying the losses in value occurring up to the year 2012.

The impairment tests on the carrying amount of the investment concerned the subsidiaries Teleippica S.r.l and Festa S.r.l.

The cash flows for the years 2013-2015 of the Services GCU, the Concessions GCU and Television Services GCU were calculated on the basis of the assumptions underlying the 2013 budget and the multiannual strategic guidelines for 2014-2015, drawn up for the balance sheet valuations. The recoverable amount was estimated as the sum of the present value of the cash flows related to the period of explicit projection and the expected residual value beyond the forecast horizon (terminal value).
The WACC (Weighted Average Cost of Capital) used to discount the cash flows was taken to be to 8.25 (in line with the value used in the prior year).
The analyses performed showed that the amount recoverable from the cash-generating units is greater than the carrying value.

16. Prepaid tax assets and deferred tax liabilities

The following tables show the temporary differences and tax loss that can be carried forward, together with the corresponding theoretical amount of prepaid and deferred taxes, as well as the amounts recognised in the accounting statement.

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for bad debts	37,263	27.50%	10,247	10,247	2013 and following
Provision for risks	16,086	27.50%-31.70%	5,096	5,096	2013 and following
Provision for inventory depreciation	144	27.50%-31.70%	44	44	2013 and following
Difference between carrying amount and tax value of tangible & intangible fixed assets	6,747	27.50%-31.70%	2,113	2,113	2013 and following
Interest Rate Swap	9,406	27.50%	2,587	2,587	2013 and following
Other temporary differences	38,063	27.50%	10,467	10,467	2013 and following
Total	107,709		30,554	30,554	

Tax loss that can be carried forward	Amount	Rate	Tax impact	Proceeds posted	Usable before:
Fiscal year 2008	17,895	27.50%	4,921	4,921	No time limit
Fiscal year 2009	10,2	27.50%	2,805	2,805	No time limit
Fiscal year 2010	29,06	27.50%	7,992	7,992	No time limit
Fiscal year 2011	27,186	27.50%	7,476	7,476	No time limit
Fiscal year 2012	31,359	27.50%	8,624	8,624	No time limit
Total	115,7		31,818	31,818	
Total prepaid taxes				**62,372**	

The changes in prepaid tax assets:

thousands of Euros	31/12/2011	Provisions	Uses	31/12/2012
Prepaid tax assets	44,157	19,938	(1,723)	62,372

At 31 December 2012, the directors of SNAI S.p.A. confirmed the assessment of recoverability of the prepaid tax assets generated by the temporary differences between the carrying amount and tax values of the relevant assets/liabilities, and the tax loss resulting from the national tax consolidation. The above-mentioned recoverability is based on the predictions of future positive results in the business plans.

The table shows that the Company posts deferred tax assets and deferred tax liabilities equal to the net value of deferred taxes assets of EUR 14,876 thousands of Euros (net value of deferred taxes liabilities at 31 December 2011:EUR -276 thousand).

Note the recognition of prepaid taxes in the amount of EUR 8,624 thousand on the tax loss resulting from the tax consolidation (the total tax credit resulting from the tax losses amounts to EUR 31,818).

The difference between the carrying amount and tax value of the tangible and intangible fixed assets in the amount of EUR 6,747 thousand with a tax impact of EUR 2,113 thousand is mainly attributable to the leasing contracts signed in 2007 and prior years (EUR 5,447 thousand, with a tax impact of EUR 1,727 thousand).

The "other temporary differences" of EUR 38,063 thousand with a tax impact of EUR 10,467 thousand are mainly attributable to the non-deducted interest expense within the meaning of Article 96 of the TUIR [Consolidated Income Tax Code] (EUR 37,621 thousands with a tax impact of EUR 10,346 thousand).

We remind you that in June 2012, the Company, as the consolidating entity, renewed the option for the national tax consolidation mentioned in Articles 117 *et seq.* of Presidential Decree 917/1986 for the three year period of 2012-2014; participating in this option as consolidated companies were Festa S.r.l., Mac Horse S.r.l. in liquidation (which was terminated in the course of the fiscal year), Immobiliare Valcarenga S.r.l. and Teleippica S.r.l. which started to participate in the consolidated tax option in the 2012 fiscal period. In this context, it should be noted that Società Trenno S.r.l, has also participated in the tax option since the 2007 fiscal period, and that option is currently in effect for the three-year period of 2010-2012.

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

At 31 December 2012, due to the impact of the taxable income transfers related to fiscal year 2012, the Company recognised accounts receivable against the consolidated companies of a total amount of EUR 956 thousand: EUR 857 thousand against Teleippica S.r.l., EUR 78 thousand against Festa S.r.l. and EUR 21 thousand against Immobiliare Valcarenga S.r.l. In contrast, due to tax losses transferred, the Company recognised accounts payable to the consolidated companies of a total of EUR 2,364 thousand: EUR 2,344 thousand to the consolidated company Trenno S.r.l. and EUR 20 thousand to Mac Horse S.r.l. in liquidation, which was terminated in the course of the fiscal year following the conclusion of the liquidation proceedings.

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

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

If the consolidated companies transfer tax credits to the Company, the transfer must include an indemnity in favour of those same companies in an amount equal to the amount of the tax credits transferred.
The consolidated companies' tax liability to the State treasury remains in effect if the parent company ascertains have greater taxable income as a result of miscalculations in the taxable income reported by the consolidated companies.
Finally, it should be noted that "SNAI S.p.A." as the consolidating entity, and "Società Trenno S.p.A." (now incorporated into said consolidating entity) have opted for the system of neutrality of intra-group transfers as defined by Article 123 of the TUIR [Consolidated Income Tax Code] with respect to the transfer from Trenno to SNAI of the trotting racetrack of Milan San Siro and the trotting racetrack in Montecatini Terme in March 2006.
As a result of this option, the Group has benefited from the "sterilisation" of the capital gains tax determined as a result of this transfer, in the amount of approximately EUR 32 million. Of course, this neutrality system will cease in the event of a subsequent transfer that is not made under the system of neutrality or if the national tax consolidation system is discontinued or not renewed.
The table also shows that deferred taxes have been calculated on the properties in question, as explained below, as a result of the transition to international accounting principles.

Temporary differences	Amount	Rate	Tax impact	Deferred
Tax amortisation of goodwill (from SnaiServ.-SpazioGioco)	(10,769)	31.70%	(3,287)	(3,287)
Tax amortisation of goodwill on betting agencies	(100,243)	31.70%	(31,039)	(31,039)
Difference between carrying amount and tax value of certain debts to AAMS and debt to bet-acceptance points due to purchase of concessions				
Difference between carrying amount and tax value				
Difference between carrying amount and tax value of tangible fixed assets	(41,462)	31.70%	(13,086)	(13,086)
Retirement benefits	(3)	31.70%	(1)	(1)
Other temporary differences	(303)	27.50%	(83)	(83)
Total deferred taxes	(152,780)		(47,496)	**(47,496)**

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

thousands of Euros	31/12/2011	Provisions	Uses	31/12/2012
Provision for deferred taxes	44,433	5,597	(2,534)	47,496

The directors of SNAI S.p.A have decided to recognise the deferred taxes by all the temporary differences between the carrying amount and the tax values of the related assets/liabilities. In particular, the betting agencies purchased, as corporate acquisitions, have been accounted for using the acquisition under IFRS 3.
The Company therefore recognised the identifiable assets and liabilities of the acquisition at fair value at the acquisition date and therefore also recognised the goodwill only after allocating the cost of acquisition as described above.
The value of the concession rights posted on the balance sheet as a result of the acquisition of the betting agencies covered by the concession in 2006 was determined at the time as required by IFRS 3 and therefore differs from the values indicated in the acquisition agreement: the carrying amount of amortisation differs from the amortisation for tax purposes in accordance with Article 103 (2) of the Presidential Decree 917/1986; the resulting deferred taxes were completely discharged in the course of the fiscal year, in any case, since the concessions acquired reached the end of their useful life.
We remind you that the above-mentioned dual-track approach applies only to acquisitions made in the years preceding the 2008 fiscal period; the acquisitions in the 2008 fiscal period and thereafter are subject to the principle of derivation introduced by the Finance Act of 2008. so that the carrying amount corresponds to the tax value.

The value of the goodwill is not amortised but rather tested annually for impairment: amortisation for tax purposes is governed by Article 103 (3) of Presidential Decree 917/1986 on deferred taxes.
The difference between the carrying amount and tax value of the tangible fixed assets(EUR 41,462 thousand, with a tax impact of EUR 13,086 thousand) was mainly due to the properties (formerly owned by Trenno) in Milan – San Siro and Montecatini (EUR 39,146 thousand with a tax impact of EUR 12,409 thousand).

17. Inventories

Relative to 31 December 2012, inventories increased by EUR 641 thousand. The composition of the "Inventories" item is shown below:

thousands of Euros	31/12/2012	31/12/2011	Change
Raw materials	79	100	(21)
Work in progress	81	83	(2)
Finished products and merchandise	3,035	2,371	664
Total	3,195	2,554	641

The value of inventories is shown net of the provisions for inventory depreciation which, at 31 December 2012, amounted to EUR 144 thousand. The following table shows the changes in the provision for inventory depreciation.

thousands of Euros	31/12/20	Provisions	Uses	31/12/2012
Provision for inventory depreciation				
Raw materials	78		1	77
Work in progress	3			3
Finished products/merchandise	59	5		64
Total	140	5	1	144

18. Trade receivables

The trade receivables are composed as follows:

thousands of Euros	31/12/2012	31/12/2011	Change
Current trade receivables:			
- from customers	100,635	88,394	12,241
- under collection and in portfolio	1,032	4,471	(3,439)
- from subsidiaries	439	249	190
- from parent Global Games S.p.A.	6	4	2
- Provision for bad debt	(34,521)	(29,851)	(4,670)
Total	67,591	63,267	4,324

The trade receivables from customers include the balances due by managers from the gaming revenue collected (bets and entertainment machines), less the compensation to which they are entitled.
The trade receivables from customers also include legal disputes of SNAI S.p.A. in the amount of EUR 44,496 thousand (EUR 39,511 thousand).

The provision for bad debts was determined by evaluating the amount of potentially uncollectible receivables, analysing the specific conditions of the debtors and any guarantees given to the Group companies and by properly evaluating the chances of recovery of overdue receivables and disputes under litigation. Considering the company-backed guarantees obtained from the debtors, the directors believe that the provision is sufficient to cover with the uncollectible receivables expected in the future.

The changes in the provision for bad trade receivables were as follows:

thousands of Euros	individually	collectively	total
At 01 January 2011	19,443	357	19,800
Provisions in the year	10,586	416	11,002
Restatements	797	-	797
Use of provisions	(1,748)	-	(1,748)
At 31 December 2011	29,078	773	29,851
Provisions in the year	6,125		6,125
Restatements	935	(773)	162
Use of provisions	(1,617)		(1,617)
At 31 December 2012	34,521	-	34,521

At 31 December 2012, the analysis of trade receivables overdue but not written off is as follows:

thousands of Euros	Total	Not yet due/in bonis	Overdue but not written off 0-90 days	90-180 days	>180 days
Total 2012	67,591	30,340	10,963	1,303	24,985
Total 2011	63,267	41,077	11,648	1,639	8,903

19. Other assets

Other non-current assets, classified among "other non-financial assets", are composed as follows:

thousands of Euros	31/12/2012	31/12/2011	Change
Other non-current assets			
Tax Receivables:			
- From tax office for tax refund	62	62	
- From tax office for disputed taxes	73	73	
- From tax office for capital taxes	54	54	
	189	189	-
Other receivables:			
- Security deposit assets	1,412	428	984
Trade receivables:			
- Current receivables in portfolio	544	745	(201)
Total other non-current assets	2,145	1,362	783

The increase in the security deposits is due to EUR 500 thousand deposited on behalf of the company P4Pay S.r.l. as security for the PostePay card and EUR 500 thousand as the judicial deposit formed on behalf of a gamer as a result of a malfunction of the Barcrest VLT platform. For more details, please see the paragraph *"Lawsuits initiated by gamers holding tickets allegedly winning as a result of the malfunction of the Barcrest VLT platform"* included in note 26.

The other current assets are composed as follows:

thousands of Euros	31/12/2012	31/12/2011	Change
Other current assets			
Tax Receivables:			
- From tax office for IRAP deposit/credit	918	1,245	(327)
- From tax office for IRES deposit/credit	1,213	1,319	(106)
-Other tax receivables	162	214	(52)
	2,293	2,778	(485)
Receivables from subsidiaries	1,631	673	958
Receivables from others:			
- Entertainment machine security deposit	14,181	11,792	2,389
- Advance concession payment to AAMS	988	1,796	(808)
- Receivables from AAMS for wins on National Horseracing	81	255	(174)
- Security deposit for remote gaming (Skill/Bingo)	336	414	(78)
- Receivables from Skill Games	180	76	104
- Other receivables from bet-acceptance points	135	133	2

- Positions against AAMS for betting agency acquisition	296	296	-
- Receivables from AAMS for Di Majo arbitration	9,94	13,816	(3,876)
- Receivables from undue payment of interest and penalties on flat-rate gaming tax (PREU)	2,114	1,49	624
- TIVU+ S.p.A. in liquidation	-	478	(478)
- Receivables from refund of guarantee fees	48	469	(421)
- Receivables from Bluline electronic exchange	226	226	-
- Pension entities	55	53	2
- Various receivables	1,889	1,672	217
- Provision for bad receivables from others	(2,196)	(2,799)	603
	28,273	30,167	(1,894)
Adjustment accounts			
- Accrued income	16	16	
- Prepayments	4,444	4,523	(79)
	4,46	4,539	(79)
Total other current assets	36,657	38,157	(1,500)

The entertainment machines security deposit of EUR 14,181 thousand (EUR 11,792 thousand) relates to 0.5% on the gaming transactions generated by the entertainment machines (AWP and VLT) in 2012, as described in greater detail in note 3, "revenues from sales of goods and services." The security deposit for the year 2011 was collected in the course of 2012 based on the service levels achieved.

The item "Advance concession payment" in the amount of EUR 988 thousand includes the increased amounts paid to AAMS in advance for the year 2012 relative to the concession payment for horseracing and sports betting; that account receivable will be offset against the payments owed for 2013; for more details, see note 8.

The item "Receivables from AAMS" for the arbitration case "Lodo Di Majo" concerns certain claims to compensation for damages claimed from AAMS by managers or third-party concessionaires as a result of the so-called "Di Majo Arbitration" arbitration case; those claims were assigned to SNAI in December 2011 and in June 2012. As a result of the agreement among most of the participants in the proceedings, Società SNAI S.p.A. will take charge of managing the compensation from AAMS on behalf of the concessionaires. That is the reason why the company has acquired those receivables, which will be paid out only to the extent that all the compensation is actually collected from the AAMS. The liabilities to the assigning parties are recognised in "other liabilities" (Note 27). Starting from 5 August 2012, the Company started to offset the accounts payable from the collection of horseracing bets, due every 15 days ("fortnightly ex ASSI") against the accounts receivable from the Di Majo Arbitration claimed by the horseracing concessionaires from the AAMS and acquired from the Company on December 2011 and June 2012. As provided for by the agreement between the Company and the assignors, SNAI arranged for the set-off of its own overdue trade receivables claimed from such horseracing concessionaires and/or the payment of the remaining balances to its term-term deposit accounts (see note 20).

The item "receivables from subsidiaries" in the amount of EUR 1,631 thousand includes the receivables from the subsidiaries Festa (EUR 712 thousand), Teleippica (EUR 857 thousand), Trenno (EUR 3 thousand) and Immobiliare Valcarenga (EUR 62 thousand), which joined in the tax consolidation as described in greater detail in note 16.

The following table shows the changes in the provision for doubtful receivables from third parties:

thousands of Euros	*individually*	*total*
At 01 January 2011	2,555	2,555
Provisions for the year	809	809
Restatements	42	42
Use of fund	(607)	(607)
At 31 December 2011	2,799	2,799
Provisions for the year	353	353
Restatements	(162)	(162)
Use of fund	(794)	(794)
At 31 December 2012	2,196	2,196

Among the prepaid expenses, the table shows:

- EUR 3,818 thousand (EUR 4,304 thousand) for advance payments on guarantee fees and insurance premiums, mainly concerning guarantees issued to secure the contractual obligations assumed for the concessions, rights and amusement and entertainment machines;
- EUR 356 thousand (EUR 191 thousand) mainly on the share of costs of the contracts of maintenance, support, etc., not yet due.

20. Current financial assets

The current financial assets consist of the following:

thousands of Euros	31/12/2012	31/12/2011	Change
Current financial assets			
Shares of the former company Fiorentina Corse Cavalli	1	1	
Escrow Account	7	256	(249)
Term-deposit accounts and unavailable balances	10,241	-	10,241
Financial current account with subsidiaries	3,941	5,240	(1,299)
Total other current financial assets	14,190	5,497	8,693

The reduction in the escrow accounts is due to the payments of liabilities and reimbursements related to financing operations in the course of 2012.
The term-deposit bank accounts were opened by the Company in order to manage the amounts deriving from the offsetting of the receivables from AAMS for the Di Majo Arbitration and the payables for horseracing bet collection due every 15 days ("fortnightly ex Assi") (for more details, see note 19). Such term-deposit accounts are used in expectation of the issuance of the final non-appealable judgment on the pending dispute between the horseracing concessionaires and the Ministry of Economics and the Minister of Agricultural Policies.
At the hearing scheduled for 14 December 2012, the Court of Appeal of Rome reserved judgement on the case and imposed procedural time limits on the parties for submission of their pleadings.
The unavailable balances on the demand-deposit bank accounts concern amounts that are temporarily unavailable because of the enforcement of attachment proceedings by third parties; note that the amounts involve attachments applied to various demand-deposit accounts on the basis of the same enforcement order.

Such term-deposit bank accounts and the unavailable balances of the demand-deposit bank accounts are not taken into account in the net financial position(see note 35).

The financial current accounts vis-à-vis subsidiaries are itemised below:

thousands of Euros	31/12/2012	31/12/2011	Change
Società Trenno S.r.l.	2,821	4,778	(1,957)
Teleippica S.r.l.	1,113	-	1,113
Faste S.r.l.	-	457	(457)
SNAI France S.a.	7	5	2
Total financial current accounts vis-à-vis subsidiaries	3,941	5,240	(1,299)

The account receivable against SNAI Olè in the nominal amount of EUR 749 thousand has been written off completely.

The balances of the financial current accounts include accrued interest for the period, calculated at the 3-month EURIBOR rate plus 5 percentage points.

21. Cash and cash equivalents

The cash and cash equivalents are composed as follows:

thousands of Euros	31/12/2012	31/12/2011	Change
Demand-deposit bank and postal accounts	9,490	36,935	(27,445)
Cash on hand	99	194	(95)
Available liquid assets	9,589	37,129	(27,540)
Bank overdrafts.	-	-	-
Net cash and cash equivalents.	9,589	37,129	(27,540)

22. Equity

The shareholders' equity in SNAI S.p.A. at 31 December 2012, fully subscribed and paid in, amounts to EUR 60,748,992.20 and consists of 116,824,985 ordinary shares at 31 December 2010 (116,824,985 ordinary shares at 31 December 2011). Holders of ordinary shares are entitled to receive such as dividends as are decided upon from time to time and are entitled to cast one vote at the Company's meeting for each share held.

authorised number of shares	116,824,985
number of shares issued and fully paid in	116,824,985
nominal value per share in EUR	0.52

The number of shares and share capital have not changed relative to 31 December 2011.The shares issued are all ordinary shares.

No shares are held by the company directly or via its associates or subsidiaries.

Reserves

Legal reserve

The legal reserve amounts to EUR 1,559 thousand.

Share premium reserve

The share premium account, of Euro 154,345 thousand, was established with the share capital increase resolved upon on 14 September 2006, and completed on 15 January 2007. The amount of that increase, of Euro 219,535 thousand, has been reduced by the associated charges, net of the tax effect related to the increase of Euro 8,216 thousand, in line with IAS 32. Euro 15,415 thousand of the amount was used to make up the loss in the 2010 financial year, as resolved by the shareholders' meeting of 29 April 2011; and Euro 41,559 thousand to make up the loss of the 2011 financial year and the losses carried forward of Euro 1,032 thousand, as resolved by the shareholders' meeting of 27 April 2012.

Cash Flow Hedge Reserve

The cash flow hedge reserve in the amount of EUR -6,820 thousands, is formed by recognising the derivatives directly in equity (see note 32).

Reserve for measurement of defined-benefit plans for employees (IAS 19)

The reserve for measurement of defined-benefit plans for employees (IAS 19) in the amount of EUR -175 thousand is formed by recognising the actual gains/losses directly in equity.

Profit (loss)carried forward

At 31 December 2012, the profit (loss) carried forward is a loss of EUR 260 thousand.

23. Other components of the statement of comprehensive income

The other components of the comprehensive income consist of recognition of derivatives in the cash flow hedge reserve directly in equity and early application of IAS 19 Employee benefits (for more details, see accounting standards that are yet in effect but applied early).

thousands of Euros	Fiscal year 2012	Restatement fiscal year 2011
Hedge derivatives:		
Adjustment of cash flow hedge reserve	(3,931)	(5,475)

Tax impact		1,081	1,505
	(a)	(2,850)	(3,970)
Re-measuring of defined-benefit plans for employees (IAS 19):			
Actuarial profit (loss)		(288)	48
Tax impact		79	(13)
	(b)	(209)	35
Total profit (loss) for the fiscal year	(a+b)	(3,059)	(3,935)

24. Retirement benefits

The retirement benefits at 31 December 2012 amounted to EUR 1,643 thousand versus EUR 1,477 thousand at 31 December 2011.

The following table details the changes in the fund:

Balance at 01/01/2012	1,477
Uses	(187)
Interest charges	64
Actuarial profit/(loss)	289
Balance at 31/12/2012	1,643

The retirement benefits fall within the scope of defined benefit plans to be accounted for according to IAS 19, by applying the projected unit credit method, which consists of estimating the amount to be paid to each employee upon leaving the company and by discounting the amount owed based on a hypothetical retirement date estimated by using actuarial methods.

The main assumptions adopted are summarized in the following table:

Summary of Technical Economic Bases

Financial assumptions

Annual discount rate	2.70%
Annual inflation rate	2.00%
Annual rate of increase in RBs	3.00%
Annual rate of wage increase	Managers: 1% Employees: 1% Workers: 1%

Summary of basic demographic techniques

Demographic assumptions

Death	RG48 mortality tables published by the State General Accounting Agency
Disability	INPS separate tables by age and sex
Retirement	100% achievement of Compulsory General Insurance requirements

Annual Turnover Frequency and Early Retirement Benefits

Company	Early payments	Turnover
SNAI S.p.A.	2.50%	4.00%

25. Financial liabilities

The financial liabilities are composed as follows:

thousands of Euros	31/12/2012	31/12/2011	Change
NON-CURRENT FINANCIAL LIABILITIES			
Senior bank loans	328,866	259,337	69,529
Payables for financial leasing	6,153	16,254	(10,101)
Payables to bet-acceptance points for acquisition of Concession assets	-	118	(118)
Interest Rate Swap	9,406	5,475	3,931
Total non-current financial liabilities	344,425	281,184	63,241
CURRENT FINANCIAL LIABILITIES			
Current portion of senior bank loans	16,100	75,750	(59,650)
Senior bank loans	9,000	-	9
Payables to bet-acceptance points for acquisition of horseracing and sports concession assets	155	365	(210)
Payables for financial leasing	9,889	19,579	(9,690)
Payables to banks	1,038	17,412	(16,374)
Payables to banks for direct debits pending	-	243	(243)
Payables for share acquisitions	-	291	(291)
Financial current account with Immobiliare Valcarenga S.r.l.	221	162	59
Financial current account with Mac Horse S.r.l.	-	347	(347)
Financial current account with Festa S.r.l.	2,057	2,632	(575)
Financial current account with Teleippica S.r.l.	-	1,243	(1,243)
Total current financial liabilities	38,460	118,024	(79,564)

The financial payables include:

- the loan agreement signed on 29 March 2011 for a nominal amount of EUR 353,600 thousand (described in the following paragraphs), recognised at the total amortised cost of EUR 353,966 thousand, less charges. Such charges include professional fees for financial arrangements, in addition to other taxes required by law for taking out the loan, in the amount of EUR 23,510 thousand, of which the share transferred to the income statement in the course of 2012 is EUR 3,628 thousand. At 30 September 2012, the amount of EUR 70,000 thousand pertaining to the "Bridge to Disposal" facility was restated under non-current financial liabilities as shown by the table below.
- financial payables on leasing contracts, totalling EUR 16,042 thousand, mainly relate to the remaining term of contracts for the purchase of a building site in Porcari (Lucca) and bet-acceptance technologies, described in greater detail in note 15, "tangible fixed assets";
- outstanding payables to bet acceptance points in the amount of EUR 155 thousand are derived from the acquisition of betting agencies, concessions (Vendor Loan), for the final instalment payment due in June 2013;
- the recognition at Fair Value of two interest rate hedge contracts on 31 December 2012, an Interest Rate Swap transaction, signed in August 2011 with two primary banks for a total value of EUR 300 million with effect from 31 December 2011 and ending 31 December 2015, as explained in greater detail in note 32. The loan agreement signed in March 2011 called for entering into interest risk hedging contracts for a certain portion of the total value.

Non-current financial debts include EUR 218,286 thousand maturing in more than 5 years.

SNAI S.p.A., as a result of agreements reached on 8 March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., signed a medium/long term loan agreement divided into in several credit lines, for a total amount of EUR 490 million. This operation was contingent upon the acquisition by Global Games S.p.A. of a majority interest in SNAI S.p.A., formerly owned by SNAI Servizi S.p.A.

The credit lines of the loan agreement bear interest at the EURIBOR rate as contractually defined and determined, plus a margin ranging from 4.50 to 5.25% per annum, subject to adjustments for the so-called Margin Ratchet effect and the market flex forecast in the syndication strategy. The Company has in fact signed a syndication clause for loan agreements, by which the credit institutions originally providing the funding have the opportunity to add other financial institutions to the pool. At 30 September, the Company obtained an extension of the syndication period until 31 October 2012. The loan syndication had not been successfully completed by 31 October, the expiration date of the extension. Since the syndication rules were not satisfied, the Lenders asked to exercise the Market Flex clause, as provided by the provisions of the contract, thereby imposing an additional charge of EUR 7.01 million, which was paid on 9 November 2012.

The following table summarises the facilities:

amounts in thousands of Euros

Facility	Amount of loan	Duration	Interest period	Maturity	Terms of repayment	Uses/Repayments Date	Amount
Facility A	115,000	6 years after the date of signature of contract	3 months	29/03/2017	Amortizing (12 half-yearly instalments from 31 December 2011)	29/03/2011 31/12/2011 29/06/2012 28/12/2012	115,000 -1,150 -1,150 -4,600 108,100
Facility B	135,000	7 years after the date of signature of contract	3 months	29/03/2018	Bullet	29/03/2011	135,000
Capex facility	80,000	7 years after the date of signature of contract	3 months	29/03/2018	Amortizing (9 half-yearly instalments from 30 June 2014)	29/03/2011 28/04/2011 29/03/2012 21/08/2012	11,750 23,000 3,000 9,000 46,750
Disposal facility	70,000	7 years and 6 months after the date of signature of contract (extension obtained in September 2012)	6 months	28/09/2018	Bullet	29/03/2011	70,000
Revolving facility	30,000	6 years after the date of signature of contract	3 or 6 months	29/03/2017	Each loan must be repaid on the last day of the interest period. During the period of availability, the amounts repaid can be reused.	09/11/2012	9,000
Total	**430,000**				**Used and repaid at 31/12/2012**		**368,850**

The credit line of the Acquisition facility in the amount of EUR 60 million, which brought the total financing granted to EUR 490 million, expired in the month of November 2012 since it had not been used within the established time limits.

The obligations established in the loan agreement include compliance with the Financial Covenants, to be calculated starting 31 December 2011. These Covenants regard, among other things: EBITDA, net financial debt and investments. The calculation worked out for the application of the covenants at 31 December 2012 does not exceed the contractual parameters. For further details see note 35.1.

26. Provisions for future risks and charges, disputes and contingent liabilities

SNAI is party to civil and administrative proceedings and legal actions related to the ordinary course of business. Based on the information currently available, in light of the existing risk funds, SNAI believes that such proceedings and actions will not have significant adverse effects on the annual financial statements. This section will provide a summary of the most significant proceedings; unless indicated otherwise, no provisions have been recognised for the disputes described below in cases in which SNAI believes that an unfavourable outcome of the proceedings is merely possible (i.e., not probable) or in which the amount of the provision cannot be reliably estimated.

At 31 December 2012, the provisions for risks and charges amounted to EUR 24,560 thousand; the changes in those provisions are detailed in the following table:

thousands of Euros	Tax litigation, civil litigation and contractual risks	Technological renovation	Total
Balance at 31 December 2011	12,914	2,554	15,468
Provisions recognised in fiscal year	11,053	162	11,215
Uses in fiscal year	(2,123)	-	(2,123)
Balance at 31 December 2012	21,844	2,716	24,560

Technological renovations
The provision for technological renovations consists of:

- EUR 2,536 thousand for allocations to periodic technology upgrades, as provided by Article 19 of the "Specification of charges" for "granting in concession the activation and network operations service conducted for managing lawful gaming telematics using devices for amusement and entertainment as well as the related activities and functions" from the start date the concession. The contract clause stipulates that each year the fund must be increased by 10 Euros for each permit issued and current at the end of the financial year;
- EUR 180 thousand for estimated costs of technological upgrades in gaming terminals.

Tax disputes, civil disputes and contractual risks
The provision for risks for tax disputes, civil disputes and contractual risks includes the overall amount estimated to cover the remaining risks relating to the settlement of disputes and relationships with third parties, including fiscal, tax and social security contribution issues, in the amount of EUR 21,844 thousand.
The provision for the period in the amount of EUR 11,053 thousand relates to the following:

- EUR 3,351 thousand to cover risks of interest and penalties on the flat-rate gaming tax [PREU];
- EUR 1,470 thousand estimated in relation to penalties for exceeding the AWP quota restrictions requested by AAMS for 2011;
- EUR 2,049 thousand for recalculation of the estimated interest and penalties for late payment of the flat-rate tax in prior years;
- EUR 1,475 thousand estimated for AAMS contract penalties for the malfunctioning of the Barcrest platform;
- EUR 2,708 thousand for miscellaneous disputes and risks.

The use of the provision in the period amounted to EUR 2,123 thousand, of which EUR 1,536 thousand was allocated to the settlement of the Tax Assessment Notice for fiscal year 2010, initiated on 11 July 2011 by the Regional Tax Department in Tuscany, Section for Inspections, Litigation and Collection - Major Taxpayers Office ("DRE"). The partial tax audit involved checking for proper application of withholding tax under Article 26 *et seq.* of Presidential Decree 600/1973, the interest paid on the Senior Loan (take out from Unicredit Banca d'Impresa S.p.A.) and the Junior Loan (taken out from SOLAR S.A.) for fiscal years 2009 and 2010. The audit was then extended to the year 2011 at the request of the Office.
The reasons that led to initiating the audit are to be found in the continuation of the audit activities for the years 2006, 2007 and 2008, concluded on 1 December 2009 with the issuance of the Tax Assessment Notice and settled on 15 October 2010, by signing a settlement agreement concerning all the claims arising from the observations pointed out in the Tax Assessment Notice (the resulting tax liability, payable in instalments, is recognised under tax payables – Note 27).
For the year 2011, SNAI is committed to the settlement of the forthcoming requests from the Regional Tax Office, based on the same criteria as those identified for the years 2009 and 2010, as soon as the IT procedure allows for automation of the tax assessment. A provision was recognised in the amount of EUR 376 thousand for the year 2011 in the financial statements for the period closed on 31 December 2011.

Disputes relating to the entertainment machine business: charges by the Court of Auditors and AAMS for alleged breaches in the management of the telematic interconnection network
In June 2007 SNAI S.p.A. in its capacity as the concessionaire for the management of the telematic network interconnection for entertainment machines, received a formal request from the Regional Public Prosecutor of the Court of Auditors, Lazio region, present its own arguments regarding an investigation of a hypothetical case of tax revenue loss caused by the fact that only part of the machines were properly connected to the State computer network (SOGEI) from which the AAMS obtains the basis for calculating the flat-rate gaming tax [PREU]. The hypothesised revenue loss would amount to about EUR 4.8 billion, consisting entirely of penalties for the concessionaire's alleged failure to achieve the service levels required by the concession.

In the same month of June 2007, AAMS also issued orders imposing contractual penalties of EUR 20 million on SNAI S.p.A.
SNAI S.p.A., along with other concessionaires, appealed to the Court of Cassation, arguing the lack of jurisdiction of the Court of Auditors over the issues in dispute.
The Company also appealed the AAMS orders before the Regional Administrative Court.
At the hearing of 04/12/2008, the Jurisdictional Section for Lazio of the Court of Auditors ordered the suspension of the proceedings pending the ruling of the Court of Cassation.
The Court of Cassation, with Joined Sections, issued an order confirming the admissibility, in principle, of a joinder of the action for tax revenue loss under the jurisdiction of the Court of Auditors and the action for contractual liability (under the jurisdiction of the AAMS and the Administrative Court). That order does act clear up the ambiguity of the original demand for compensation for tax revenue loss which today, in the opinion of our solicitors, will result in the nullity of the summons to the Court of Auditors based on recent statutory provisions.

In addition to that assessment, it should be added that the damage claim appears to be unsubstantiated on the merits, since it is not provable from the behaviour of the concessionaires.

In any case, after the judgement of the Court of Cassation, the Court of Auditors resumed the trial, and on 24 March 2010 the Company was served notice (a summons) by the Regional Public Prosecutor of the Court of Auditors that set the next hearing for 11 October 2010; the hearing for the pleadings ended after several hours of exposition and rebuttal with the Prosecutor, with all the proceedings taken into account in the decision. SNAI amply refuted all the charges and the Court of Auditors reserved judgment in the proceedings.
The ruling / order issued by the Court of Auditors in that context assigned a Court-appointed technical expert to DIGIT-PA to conduct an in-depth technical assessment, with the participation of all the parties and the Prosecutor, setting the deadline for filing the pre-trial documents to 11 August 2011, subsequently extended to the end of September. On 30 September 2011 DIGIT-PA filed its own expert report. The Company filed own expert’s brief on 27 October 2011.

At the hearing of 24 November 2011, the defence attorneys of the concessionaires and managers of AAMS replied in defence to the regional prosecutor's summation that they had not learned that additional documentary evidence had been filed on 22 March 2011 until the opening of the hearing and only then because it was mentioned by one of the two court reporters. After that, the defence attorneys of the concessionaires naturally moved for an adjournment in order to examine the new evidence and produce a defence, since it had been kept inaccessible at the court secretary’s office of the Section of the Court of Auditors on the grounds, repeatedly stated, that there had been no other submissions by the Prosecutor.
The Presiding Judge firmly denied the motion for adjournment, however, so the defence attorneys requested that it be noted for the record that the judge had overruled the objection to evidence being submitted without guaranteeing proper adversarial proceedings.
SNAI’s defence attorneys concluded that the charges should be dismissed because if the verdict were based on what was acquired by the Prosecutor on 22 March 2011, it would certainly be defective.
Aside from this procedural incident, defences were developed with in-depth arguments in support of both the other procedural objections, based on failure to ensure proper adversarial proceedings (in the opinion of SNAI, the Prosecutor had failed to meet obligation in fullby merely serving the summons on SOGEI without stating any specific charges against it) and based on other flaws in the deductive reasoning of that Prosecutor.
In that respect, SNAI’s defence successively argued that there was no mismanagement, that it is inadmissible to set up an independent penalty system apart from contractual penalties (which have already been acknowledged to be unjustified in several cases) under the jurisdiction of the State Council and, finally, that there were no grounds for a finding of gross negligence.
Following this ample, well-constructed debate, the panel of judges withdrew to deliberate on their ruling.
Ruling 214/2012 published on 17 February 2012 convicted all the concessionaires involved; SNAI, in particular, was ordered to pay the sum of EUR 210 million (including monetary revaluation), in addition to legal interest from the date of publication of the ruling until payment in full, by way of compensation for the alleged tax revenue loss caused by the Company’s alleged failure to comply with the service levels required by the concession.
On 11 May 2012, SNAI filed an appeal against the ruling no.214/2012 on the grounds of multiple flaws. It should be noted that filing of an appeal suspends the enforceability of the ruling.
In light of the above-mentioned considerations and the legal advice received, the directors believe that the risk of the Company losing the appeal may be assessed as merely possible and that, in any case, the amounts it has been ordered to pay by the ruling in question would probably be adjusted.
For these reasons, no provisions have been recognised in the financial statements other than the estimated amount of legal fees.
It should be noted that a loss of the appeal and a failure to adjust the amount of the penalty would have an impact on the Company as a going concern.

The action initiated in parallel by SNAI and the other concessionaires in order to obtain a declaration of nullity of the summons for violation of Article 17 (30 ter) of Legislative Decree 78/09 (“Bernardo arbitration”) is currently pending on the appellate level.

Regarding the orders issued by AAMS, the Regional Administrative Court had already ruled on the contractual penalties imposed by AAMS in June 2007, first by suspending their enforcement and then by declaring them null and void through ruling 2728 of 1 April 2008, now *res judicata*. In regard to a first set of three charges – concerning the alleged delay in the preparation, activation and running of the Network – AAMS once again imposed the corresponding penalties on SNAU by means of its memoranda no. 33992/Games/UD of 2 September 2008, no. 38109/ Games /UD of 1 October 2008 and no. 40216/ Games /UD of 16 October 2008, respectively, for a total amount of over 2 million Euros; SNAI challenged those orders, too, before the Lazio Regional Administrative Court.

The Lazio Regional Administrative Court ruling no. 12245/2009 of 1 December 2009, which rejected this second appeal, as it did the appeals of the other nine Concessionaires, has been appealed by SNAI. The appellate hearing was held on 20 March 2012 and, by virtue of its ruling 2192/2012 of 16 April 2012, the State Council declared the orders to pay the first three penalties null and void.
On 23 June 2012, the Company was notified of the third-party appeal by SOGEI S.p.A. of the ruling 2192/2012. SNAI will join the appellate proceedings as permitted by the laws of procedure, once the date of the trial has been set.

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

On the basis of the data and criteria developed by the Technical Committee referred to above, and in compliance with the annual ceiling introduced with the last addendum to the contract, AAMS imposed the penalty in question on SNAI S.p.A., which it calculated as a total of EUR 8,480,745.00 (reduced to EUR 7,463,991.85 to meet the reduced ceiling for the year 2005 on the assumption that the State Council confirms the first three penalties).
SNAI S.p.A., as a result of partial access to the computer database compiled by SOGEI S.p.A., with its brief of 8 June 2011, nevertheless made point-by-point defensive arguments concerning the method and substance, the reliability and correctness of the charges, reserving the right to expand on those arguments upon gaining complete access to the records.
On 28 September 2011 access to the information was supplemented by remote queries via the access gateway.
The information extracted is covered in the technical opinion of Prof. Listanti, which formed the basis for the drafting of a supplementary brief filed with AAMS on 27 October 2011.

With memorandum no. 2012/7455/Games/ADI dated2/17/2012 and received on following 2/27, the AAMS imposed on SNAI the penalty under Article 27 (3) (b) of the Concession Agreement in conjunction with Annex 3 (2), for a total amount of EUR 8,408,513.86.
On 27 April 2012, SNAI filed notice of appeal to challenge that measure before the Administrative Court, with a request to declare it null and void, while suspending its enforceability pending the final decision.
On 24 May 2012, the Second Section of the Lazio Regional Administrative Court, by virtue of its order no. 1829/2012, suspended the enforceability of the fourth penalty at scheduled the trial on the merits for 20 February 2013.
The hearing was held on 20 February 2013 and the court has reserved judgement.

By virtue of the foregoing and the opinions of the Company's external legal advisers, the Company considers the risk provision of EUR 2.2 million recognised on the balance sheet to be sufficient to cover any liability relating to the claims of AAMS that might result from present and future legal proceedings.

Disputes relating to the business of entertainment machines: PREU risk fund

We remind you that the company received some notifications from AAMS for alleged failure to make timely payment of the flat-rate gaming tax [PREU] for the years of network management from 2004 to 2008. We shall report on the latest developments of the various orders broken down by the year of the dispute.

On 8 January 2009 AAMS – Regional Office of Tuscany and Umbria based in Florence notified SNAI S.p.A about the findings of the automated audit concerning the liquidation of the PREU (flat-rat5e gaming tax) relating to the years 2004 and 2005. The verification showed errors and omissions that were promptly pointed out on 6 February 2009. With a memorandum of 25 June 2009 the AAMS stated that following the comments previously cited the errors and omissions detected had been taken into consideration. As a result of this new verification, AAMS issued another memorandum of 25 June 2009 notifying that the amount of PREU payable was EUR 729 thousand, with interest due of EUR 451 thousand and ordinary penalties of EUR 11,780 thousand which, reduced by one sixth, amounts to EUR 1,963 thousand.
On 29 July 2009 payment in instalments was requested as stipulated in the notice just mentioned, which was accepted by AAMS on 30 July 2009. On the same day the Company made timely payment of the first instalment. At the same time, on 30 July 2009 an appeal against that notice was filed with the Lazio Regional Administrative Court. A similar mechanism was pursued for the PREU for the year 2006, through which the AAMS in January 2010 declared tax payable in the amount of EUR 243 thousand plus interest due of EUR 151 thousand and reduced penalties for EUR 556 thousand, for which payment in multiannual instalments has already been agreed. On the basis of specific legal advice, the Company believes that the challenge can reasonably be expected to have a positive outcome, which would result in refuting the claims, particularly with respect to the charging of interest and penalties, to which the Company prudently agreed with the benefit of deferral.
As a result of the foregoing, the Company has noted the claim for the years 2004-2005-2006 among its other tax liabilities and has allocated an adequate risk provision to cover any liabilities relating to disciplinary penalties that may arise from the ongoing court proceedings.
On 30 December 2009, AAMS offered SNAI S.p.A. an "amicable" settlement in relation to the PREU due for the year 2007. The amount claimed is approximately EUR 2.8 million for PREU and EUR 300 thousand for penalties and interest. On 2 February 2010 SNAI responded by citing substantive reasons, with special reference to the calculation by AAMS. The

Company emphasised in its comments the errors and omissions in the notification, which AAMS finally quantified at EUR 646 thousand for PREU tax and a total of EUR 765 thousand as the amount due for PREU interests and penalties. This amount was accepted, payable in 20 quarterly instalments from 02/08/2010 until 01/06/2015. The amount payable in instalments has therefore been recognised among the accounts payable, to which we refer the reader, while a provision was recognised in the same amount.

On 16 December 2010, AAMS proposed another amicable settlement of the 2008 PREU, in the respective amounts of EUR 127 thousand in PREU and EUR 149 thousand in penalties and interests, against which SNAI presented its observations and comments. On 30 June 2011, SNAI received a final demand for the 2008 PREU in a total amount of EUR 183 thousand (EUR 45 thousand for PREU, EUR 105 thousand in penalties and EUR 33 thousand in interest). On 22 July 2011 SNAI proceeded to pay the full amount.

On 5 January 2012, AAMS proposed another amicable settlement for the 2009 PREU for the amounts of EUR 64,137.09 in PREU, EUR 20,486.38 in interest and EUR 339,222.69 in penalties, against which SNAI presented its observations and comments on 2 February 2012. On 25 June 2012, SNAI received the final demand for the 2009 PREU in a total amount of EUR 137,907.91 (EUR 25,394/40 in PREU, EUR 5,227.96 in interest and EUR 107,285.55 in penalties). That amount, for which a risk provision was recognised on 31 December 2011, was restated among the liabilities in 2012 as a result of the agreement to payment in instalments.

On 2 January 2013 AAM proposed another amicable settlement of the 2010 PREU involving, on the one hand, a claim by SNAI resulting from excess PREU paid in the amount of EUR 21,947.21 and, on the other hand, reduced penalties in the amount of EUR 2,933,107.07 and interest in the amount of EUR 478,809.97 for late payment.

On 31 January 2013 SNAI presented its own final observations concerning the rectifications of the calculations contained in the memorandum of amicable settlement.

On 31 December 2012, the Managers recognised a suitable provision for risks to cover those liabilities.

Disputes relating to the entertainment machine business: reporting proceedings initiated by the Deputy Prosecutor at the Court of Auditors and subsequent accounting proceedings

In 2010, the Regional Public Prosecutor's Office of the Court of Auditors served a summons on SNAI and the other legal gaming concessionaires under Article 46 of Royal Decree 1214/1934, along with a notice of initiation of an *ex officio* audit under Article 41 of Royal Decree 1038/1933, for alleged failure to submit the "judicial account" of all the financial flows resulting from the management of legal gaming in their capacity as network concessionaires.

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

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

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

The appellate arguments, in the opinion of the Company's solicitors, are reasonably likely to be overcome; on that basis, technical defences have been prepared for the hearing scheduled for 13 March 2013.The hearing of 13 March 2013 has been postponed *ex officio* to 18 December 2013.

Based on the opinion of the legal counsellors, as well, as the risk of losing seems improbable; in keeping with that conclusion, the managers have recognised a provision solely in the amount of the estimated legal expenses for the technical defence.

In addition to the reporting trial, in the course of 2012, the auditing trial was initiated to verify the accounts presented to the Reporting Judge appointed by the Presiding Judge of the Court. At the hearing of 17 January 2013, the reporting judge requested, in support of his own investigatory report, an opinion presented to AAMS by the Joined Sections of Court of Auditors concerning the new judicial reporting model; the panel of judges therefore adjourned the trial until 16 May 2013 and made a copy of the opinion in question available to the parties.

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

Malfunctioning of the Barcrest VLT platform (16 April 2012)

On 16 April 2012 an unusually high peak of demands for “jackpot” payouts was observed on the Barcrest system (one of the VLT platforms used by the Company at the time), for tickets that were only apparently winning of various nominal amounts up to the regulatory limit of EUR 500,000.00 or even far above that limit.

As a result of that episode – and as a result of the AAMS order to block the system -- SNAI S.p.A. immediately blocked access to the Barcrest System to perform the necessary verifications and inspections since the aforementioned date, since the Barcrest System has not been put back into operation. The verifications performed, with the assistance of independent IT technicians, showed that no Jackpot winnings were generated by the Barcrest System at any time during the day of 16 April 2012.

The consequences of that event are described below:

- Disputes concerning the entertainment machines business: AAMS' charges of alleged mismanagement of the interconnecting telematics network

On 29 May 2012, AAMS issued two specific orders related to the events of 16 April 2012: the first was intended to revoke the certificate of conformity of the SNAI-Barcrest 01 gaming system, and the second was intended to bring about the forfeiture of the Concession.
By virtue of order no. 2012/42503/Giochi/ADI of 21 September 2012, AAMS revoked the certificate of conformity of the SNAI-Barcrest 01 gaming system, with a prohibition against gaming collection by means of that system, which had already been blocked by SNAI since 16 April 2012. SNAI has already performed the actions required by law and by the Concession Agreement for the purpose of removing the Barcrest machines from the points of sale.

In contrast, the order intended to bring about the forfeiture of the Concession was terminated by order no. 2013/8342/Giochi/ADI, served on the Company on 22 February 2013, by virtue of which AAMS established that the Concession should not be revoked and merely claimed contractual penalties of a total amount of approx. EUR `1.5 million.

The Managers recognised a sufficient risk provision to cover such liabilities on 31 December 2012.

- Disputes initiated by gamers holding "allegedly winning" tickets as a result of the malfunctioning of the Barcrest VLT platform

As a result of the malfunctioning of the Barcrest VLT platform on 16 April 2012, certain holders of "allegedly winning" tickets initiated ordinary proceedings/injunction proceedings/summary proceedings in order to obtain payment of the amounts indicated on the tickets issued by the Barcrest VLTs during the malfunction and/or compensation for the damage suffered.
In particular, by 31 December 2012, 54 proceedings and 2 motions for mediation had been initiated.
The 54 proceedings included 8 provisionally enforceable injunctions, which may be summed up as follows:

- in two cases, the gamers obtained an award of about EUR 500,000,00. In one of them, once SNAI had brought about the suspension of the provisional enforceability of the decree, it requested that the gamer's property and credit balances be attached up to the amount awarded;
- in another case, the provisional enforceability was suspended after SNAI made a judicial deposit of EUR 500,000,00;
- in the other five cases, the provisional enforceability was suspended after a summary examination of the defences pleaded by SNAI on the merits and in three of those cases, the enforcement procedure had been initiated and then interrupted in the meantime;

Thereafter, on 31 December 2012, another 14 proceedings were initiated, including 1 provisionally enforceable injunctive decree against SNAI, who provisional enforceability was suspended when SNAI's motion to make a deposit in court was granted.

Moreover, it should be pointed out that one case has been dismissed in the meantime due to lack of action on the part of the gamer.
In all of the above proceedings, SNAI has and will appear before the court to challenge the claims for payment based on arguments of fact and law, since, as has already been communicated to the market and to the relevant Regulatory Authority, no "*jackpot*" was validly obtained at any time during the day of 16 April 2012. In light of the considerations set forth above and the opinions of our own legal advisers, the managers consider that the risk of the Company losing is may be classified as merely possible.

In the course of 2012, SNAI summoned Barcrest and its parent to sue for compensation for of all types of damage and loss resulting from the malfunction on 16 April 2012.

Proceedings for revocation/forfeiture of certain rights awarded in the Bersani Invitation to Tender

By means of several orders, the general management of AAMS declared the revocation of the permit and the forfeiture of the right on the grounds of non-activation or unauthorised suspension of the gaming activity with respect to 107 rights awarded to SNAI as a result of the "Bersani" invitation to tender (with respect to 3 more rights, AAMS gave notice of orders to initiate proceedings for revocation of the permit and forfeiture of the right). The Company filed a timely appeal with the Lazio Regional Administrative Court.

The issues have not yet been settled. Based on the legal opinions obtained, the matter is definitely characterised by a nature of uncertainty; SNAI considers that there are possible risks of losing in relation to the above-mentioned charges.

Disputes related to the betting business: Guaranteed Minimums

It should be noted that SNAI S.p.A received several notifications from AAMS regarding the low level of activity in certain horse racing and sports Concessions in the years 2007-2008 for which AAMS demanded payments by reason of the guaranteed minimums. We shall now report the latest developments regarding the various orders broken down by the year of the dispute.

With AAMS memorandum 2009/20716 of 29 May 2009, the Authority ordered SNAI to pay the guaranteed minimums for the year 2008 for a total of about EUR 11.1 million. On 17 September 2009, the Company, acting through its legal counsel, filed a special appeal with the Lazio Regional Administrative Court to annul the order to pay the guaranteed minimums for 2008, after suspending its enforceability pending the final ruling.

The Lazio Regional Administrative Court granted SNAI's appeal in its ruling no.10860/2009 published on 5 November 2009 and annulled the AAMS's order to pay the guaranteed minimums for 2008.

A similar procedure was performed for the AAMS' demand for 2009 addressed to 204 horserace betting concessions for a total amount of EUR 7.4 million, against which an interim application was presented to the Lazio Regional Administrative Court requesting settlement of the proceedings.
In addition, following a complex dispute brought before the Lazio Regional Administrative Court by numerous horse betting concessionaires regarding the guaranteed minimums of years 2006-2007, that Court delivered judgements 6521 and 6522 of 7 July 2009 dismissing the AAMS' claims for payment on the grounds that they were illegal since "no means of protection" had been laid down, as required by law, for the concessionaires that pre-existed the deregulation of the market by Legislative Decree 223/06 (the so-called Bersani reform). The Court also recognized the legal obligation of AAMS to adopt such measures, aimed at an overall rebalancing of the operating conditions of the concessions that predated the above-mentioned reform.
Based on the foregoing, it can reasonably be considered that SNAI, for all the concessions that it holds, should benefit from the complete reformulation of the AAMS's demands as a result of the adoption of measures of "protection".

It should also be noted that, regarding the issue of guaranteed minimums, SNAI, pursuant to the AAMS' demands, paid the guaranteed minimums for the year 2006 in the amount of EUR 2.4 million but without acknowledging the legitimacy of those demands. The amount paid has been recorded among the accounts receivable from AAMS since it is considered to be refundable, and the Company notified AAMS that it will assert its rights in every appropriate forum in order to ensure that the amounts requested are reduced to the just level and that AAMS' behaviour is judged. Recently, when the other concessionaires appealed, the Lazio Regional Administrative Court expressed its opinion by revoking the AAMS' demands and requiring that entity to first define so-called "protective measures" since the Bersani tender and subsequent tenders violated the rights of territorial exclusivity that had been granted under the previous concession agreements by awarding numerous other concessions for the collection of both sports and horse race bets.

Finally, also based on notifications sent by AAMS to another concessionaire, starting with the first fortnight in April 2011, the account receivable for EUR 2,429 thousand for the above-mentioned payment of guaranteed minimums for 2006 paid by the Company to AAMS in previous years has been offset against the current liabilities for the "ex ASSI fortnightly balances".

On 12 January 2012, AAMS sent 226 demands – to which should be added 2 others to the former Agenzia Ippica Monteverde Srl - for payment of guaranteed minimums for the years 2006-07-08-09-10 for a total amount of EUR 25,000 thousand on the assumption that the "protective methods", which had previously been lacking, had expressly been provided for by Article 38 (4) of Leg. Decree 223/06; it now became apparent, however, that it was impossible adopt a standard for calculating guaranteed minimums 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 is set for 21 March 2012.
By virtue of order no. 1036/2012 of 22 March 2012, the Second Section of the Lazio Regional Administrative Court, while taking into account the initiative to settle this long-standing dispute over "protective measures" through legislative channels, suspended the enforceability of the renewed orders to pay the guaranteed minimums for 2006-2010 and committed the case for trial on 5 December 2012.

On 20 June 2012, AAMS sent SNAI 226 demands – to which should be added 1 more to the former Agenzia Ippica Monteverde Srl - for payment of the supplements to the guaranteed minimums for the years 2006-07-08-09-10-11, for an all-inclusive amount of EUR 24.9 million.
Compared to the previous round of demands of January 2012, this one, on the negative side, shows the addition of the supplements owed for the year 2011, which had not yet been demanded by AAMS and, on the positive side, a 5% reduction in the amount demanded pursuant to Article 10 (5) (b) of Legislative Decree No. 16 of 2 March 2012 converted into Law No. 44 of 26 April 2012.
More specifically, that law, regarding "*the tax rates referred to in Article 12 of the Presidential Decree of 8 April 1998 no. 169 and the corresponding addenda*" (so-called "guaranteed minimums"), called for the "*definition, by equitable means, of a reduction not to exceed 5% of the amounts still owed by the concessionaires mentioned in the above-cited Presidential*

Decree no. 169 of 1998, specifying the means of payment of the corresponding amounts and adjustment of the "guarantee".
On 20 July 2012, an appeal was filed with the Lazio Regional Administrative Court for the annulment of the demands for payment, after suspending their enforceability pending the final judgment.
Following the deliberations in chambers on 12 September 2012, the Second Section of the Lazio Regional Administrative Court held that the challenged memoranda constitute mere settlement offers without having the effect of new orders, to the extent that they were not accepted by the concessionaires. That interpretation of the memoranda received and of the supposed rule of Legislative Decree no. 16/2012, is without prejudice to possible judicial protection against any collection measures that AAMS intends to initiate and confirms the concurrent suspension of the previous tax orders issued by AAMS on 30 December 2011, so that is equivalent to the provisional suspension of enforceability already granted by the Lazio Regional Administrative Court in its above-cited order no. 1036/2012.
We should also point out the statement of additional grounds put forward for the appeal of the subsequent order to pay "guaranteed minimums" concerning the horseracing concession no. 426, whose contents are similar to those already challenged but which was not served by AAMS until 7 August 2012.
At the hearing scheduled for 5 December 2012, scheduled together with the one already scheduled for the appeals against the previous orders to pay the guaranteed minimums, judgement was reserved.
With ruling no. 1054 filed on 30 January 2013, the Second Section of the Lazio Regional Administrative Court accepted the criticisms of unconstitutionality put forward by SNAI in reference to the provisions of Legislative Decree no. 16/2012,ordering that the trial be suspended and the case referred to the Constitutional Court; in parallel, the original case initiated against the first orders to pay of January 2012 was declared in admissible on the grounds of a lack of standing to sue.
Throughout the constitutionality trial, SNAI is protected by the suspension of enforceability so that AAMS cannot enforce the challenged orders.
The Company, also supported by the opinions of its own legal advisers, believes that risk of losing the appeal against the orders currently put forward by AAMS is merely possible and therefore has not recognised any corresponding risk provision in the financial statements.

Penalties for exceeding the AWP quota restrictions

Following the demand formulated by AAMS on 22 June 2012 regarding the information about the locations of the AWPs that were presumably observed to have exceeded the limits set by the rules on quota restrictions in force at the time, determined by the presence of machines concerning several concessionaires in the months of January-August 2011, SNAI requested in its memorandum of 31 January 2013 that the anomaly be corrected, while at the same time cancelling the payment order formulated by AAMS as a form of self-remedy. In light of that evidence, the amount of EUR 1,470 million has been provisioned to provide full coverage for any risks this may represent.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007: the company Omniludo S.r.l. is suing SNAI, alleging a breach of obligations under an existing contract between the parties for the *management, maintenance and assistance by Omniludo S.r.l. for slot machines"* (the "Contract of 29/6/05", petitioning the court:
  to find SNAI liable for breach of contractual obligations, particular by infringing the right to exclusivity under Articles 3 and 4 of the Contract of 29/06/05; to order SNAI S.p.a. to pay compensation for various types of damages totalling over € 100,000,000.00 and, in any case, the amount determined in the course of the proceedings.
  The case was investigated and the hearing was postponed to 10/12/2010 to allow for clarification of the pleadings and then postponed again *ex officio* to 17/06/2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10). The judge reserved judgement. By order of 10/02/2012, the judge ordered that the case file be sent to the Presiding Judge of the Section for consolidation of the present proceeding with the one pending or for referral of the case to, Dr. Capozzi who had conducted the pre-trial phase.
  By order of 12/03/2012, the Presiding Judge of the Court ordered that case 4194/07 be convened jointly with case 4810/10 at the hearing of 11/12/2013 before Judge Frizilio for possible consolidation.

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

- Case 4810/2010: By the writ of summons served on 16/11/2010, SNAI S.p.a., in light of the grossly negligent breach of obligations under the Contract of 29/06/05, sued Omniludo S.r.l. before the Court of Lucca, petitioning the Court as follows:

  1) to find and declare Omniludo S.r.l. to be in breach of trust and of the obligations under the aforementioned contract;
  2) to find and declare the Contract of 29/06/05 to be terminated on the grounds of Omniludo's serious breaches of its contractual and statutory obligations;
  3) to order the defendant to pay damages to the extent (conservatively) indicated of EUR 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 on 05/11/2010, who scheduled the trial for 07/01/2011. The case was postponed *ex officio* to 02/02/2011. At that hearing, the judge set the date for the preliminary hearing to 18/05/2011, granting the time allowances under Art. 183 (VI) of the c.c.p. The hearing was then postponed *ex officio* to 23/11/2011.
At that hearing, the judge reserved his judgement on the preliminary claims. By order of 7/3/2012, the Court lifted its reservation and declared the case ready to be tried and committed it for trial on 11/12/2013 to allow for clarification of the pleadings.
By order of 12/03/2012, the Presiding Judge of the Court ordered that the case 4194/07 be convened jointly with case 4810/10 at the hearing of 11/12/2013 before Judge Frizilio for possible consolidation.
On 03/04/2012 OMNILUDO filed a motion for revocation of the order issued by the Judge on 12/03/2012 and at the same time to accelerate the trial date to 11/12/2013.
The Judge's decision is pending.
By order of 23/04/12, the Presiding Judge of the Court of Lucca ordered the parties to appear at the hearing of 08/06/2012. At that hearing, the Judge in charge of ruling on the motion to accelerate the date of trial reserved his decision.
By order of 26/06/2012, the Presiding Judge of the Court, holding that the substantive requirements were met for consolidation of the proceedings, ordered that the case be referred to Judge Frizilio for the purposes of arranging the consolidation and clarification of the pleadings.
By order of the Investigating Judge Dr Frizilio of 2/08/2012, cases no. 4194/2007 and no. 4810/2010 were convened at the hearing of 11/12/2013.

Stefano Tesi vs. SNAI

By means of a complaint served on SNAI in accordance with Art. 702 of the c.c.p. on 19/10/11, Mr Stefano Tesi summoned SNAI S.p.A to a hearing scheduled by the judge for 26 January 2012. The court is petitioned to order SNAI to pay EUR 13,476,106.10 -- or whatever amount the court deems fair – plus costs, on the grounds the defendant had not yet paid the "extraordinary" winnings that the plaintiff won via a SNAI VLT.

SNAI appeared as required by law to dispute the adverse party's claims through arguments of fact and law, since, by law, the VLT cannot dispense winnings over EUR 500,000.00, and moved to join the manufacturer to the proceedings, since the case at hand was the probable consequence of a defect in the VLT. Following the submission of the motion for postponement by SNAI in order to summon the third party (BARCREST Group Limited, based in the United Kingdom), the Ordinary Judge of the Court of Lucca postponed the hearing to 03/07/2012. At that hearing, at which the BARCREST Group appeared, the Investigating Judge reserved judgement. By an order lifting that reservation, the Investigating Judge ordered the transfer to ordinary proceedings and committed the case for trial on 09/10/2012 in accordance with 183 of the c.p.c. At that hearing the case was postponed until 12/03/2013 for admission of pre-trial motions. At the hearing of 12/03/2013, certain questions for witnesses formulated by SNAI were admitted but not those of Tesi. The case was postponed until 28/05/2013.
SNAI, supported by the opinion of its legal counsel, believes that the risk of losing is possible, not in the amount requested by the plaintiff but in the maximum amount of winnings in the Jackpot category, namely EUR 500,000.00.
It should also be taken into account that the manufacturer joined to the case, Barcrest Ltd, will be required to indemnify SNAI for any damages that it is ordered to pay as a consequence of Tesi's lawsuit.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on 14 March 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately EUR 4 million. SNAI appeared in court in due form, stating its own defence and objecting that the plaintiff's claims are unfounded. Following the hearing on 15 February 2013, the Investigating Judge ordered the translation of foreign-language documents filed by Ainvest. The case is currently in the phase of being assigned to a new Investigating Judge.
Supported by the opinion of its legal advisers, the Managers consider that losing the case is more than possible.

Potential assets: Receivables from the Di Majo Arbitration

In the late 1990s, various horseracing concessionaires raised a dispute against the Ministry of Economics and the Minister of Agricultural Policies regarding alleged delays and breaches of duty committed by those Ministries.
The case was initially concluded by the "Di Majo Arbitration" award in 2003, in which the panel of arbitrators presided over by Professor Di Majo, which had been formed to settle the dispute, found the above-mentioned Ministries guilty and ordered them to pay compensation for the damages suffered by the concessionaires.
The compensation awarded to SNAI by 30 June 2006 would be on the order of EUR 2.3 million.
The compensation for the following years has not yet been determined in its entirety.
The defeated Ministries appealed that ruling with the Rome Court of Appeal.
At the trial scheduled for 14 December 2012, the judgement on the case was reserved.

In addition to those legal events, on 22 June 2010 Assosnai (Association of the category of concessionaires) sent AAMS a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to AAMS (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal. AAMS addressed a formal legal query to the State Attorney General regarding the memoranda sent by Assosnai and informed Assosnai that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.
To date, the settlement agreement has not yet been signed.
Offsetting of the accounts receivable from the Di Majo Arbitration has already been authorised by a decree issued by the AAMS in any case, and SNAI has arranged for such offsetting in the amount of EUR 8,222,946.28.
It should be pointed out that if the settlement agreement is not successfully signed and the Rome Court of Appeal declares the Di Majo Arbitration null and void, then the above-described offsetting would have been performed using non-existent accounts receivable, which would therefore reinstate the accounts payable that had been offset. The recognition of the accounts payable has therefore maintained (see note 27) and the income from the set-off has not yet been registered in the accounts.

COMPLAINTS BY THE AAMS REGIONAL OFFICES CONCERNING THE PREU FOR 2006

The AAMS Regional Offices have issued 41 complaints reporting the meter readings of the Amusement With Prize (AWP) machines as defined by Article 110 (6) (a) of the TULPS. Those readings are used to calculate the differences concerning the concessionaires' payments in reference to every single machine. The total amount of Penalties and PREU claimed is € 786,876.85 (€193,427.76 in penalties + € 593,449.09 in PREU) plus interest.

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

Please note the following points regarding the proceedings:

- for 4 assessment notices, AAMS has issued an order of cancellation as a form of self-remedy (filing)
- for 18 proceedings, the trial dates still have to be set
- for 18 proceedings, it has been decided to the grant the appeals filed by SNAI, 3 for discontinuation of the matter in issue.
- for 1 proceeding, it has been decided to reject the appeal filed by SNAI (that decision will be appealed by SNAI, pending the deadlines for appeal).

AAMS has filed an appeal with the appropriate Regional Tax Commission regarding 15 rulings.
SNAI has filed its own defensive briefs.
Supported by the opinion of its legal advisers, the Managers assess the risk of losing as possible.

COMPLAINTS BY THE AAMS REGIONAL OFFICES CONCERNING THE PREU FOR 2007

The AAMS Regional Offices have issued 12 complaints reporting the meter readings of the Amusement With Prize (AWP) machines as defined by Article 110 (6) (a) of the TULPS. Those readings are used to calculate the differences concerning the concessionaires' payments in reference to every single machine.
The total amount of Penalties and PREU claimed is € 82,101.58 (€ 49,683.24 in penalties + € 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.

Please note the following points regarding the proceedings:

- for 1 assessment notice, AAMS has issued an order of cancellation as a form of self-remedy (filing)
- for 2 proceedings, it has been decided to grant SNAI's appeal
- for 9 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.

Supported by the opinion of its legal advisers, the Managers assess the risk of losing as possible.

ODDS ON 2 OCTOBER 2012

Due to a malfunction on 2 October 2012, sports events were offered and quoted but with obviously incorrect odds – just for a few minutes – particularly in the case of the types of bet "Under Over 5.5"and "Under Over secondo tempo 0.5".
Certain gamblers took advantage of that error: have noticed the mistake in the quoted odds, they made a series of simple and systematic bets either remotely on the portal www.snai.it or at a physical betting point.
SNAI was promptly informed of what had happened before the AAMS event.

Certain gamblers have initiated proceedings to obtain the payout of their winnings.
SNAI has been preparing its own defence on the basis of the legal precedents in favour of concessionaires that have published incorrect odds that were recognisably incorrect and will appear in court as required by law.

27. Various accounts payable and other liabilities

Various accounts payable and other non-current liabilities are composed of the following:

thousands of Euros	31/12/2012	31/12/2011	Change
tax payables			
- instalment payments on assessment notice	1,429	3,195	(1,766)
	1,429	3,195	(1,766)
Other payables			
- for non-competition covenant	-	1,568	(1,568)
- instalments on PREU from prior years	509	806	(297)
	509	2,374	(1,865)
Total payables and other non-current liabilities	1,938	5,569	(3,631)

The other current liabilities are composed as follows:

thousands of Euros	31/12/2012	31/12/2011	Change
Tax payables			
- income tax	709	2,462	(1,753)
- VAT	562	920	(358)
- Flat-rate tax	5,205	9,692	(4,487)
- Other tax payables	1,519	710	809
- installments on assessment notice	3,119	3,201	(82)
	11,114	16,985	(5,871)
Payables to soc. sec. entities			
– Soc. sec. Entities	1,531	1,509	22
	1,531	1,509	22
Payables to subsidiaries	2,783	2,711	72
Other payables			
- to AAMS for outstanding PREU	16,252	9,871	6,381
- to AAMS for entertainment machine sec. deposits	2,705	2,335	370
- installments on PREU for prior years	499	437	62
- to winners and VLT jackpot reserve	7,401	1,233	6,168
- to entertainment machine managers	-	278	(278)
- to AAMS for Concession Payment	1,622	1,401	221
- to gamblers for winnings and refunds on national horseracing/sports forecast bets	2,281	2,674	(393)
- to ex ASSI for fortnightly payments	1,511	2,154	(643)
- to AAMS for expired tickets	328	282	46
- to AAMS for Sports Forecast and National Horseracing Betting Concession	4,195	3,815	380
- for SNAI Card gaming bards	5,428	4,979	449
- to gamblers for antepost bets	2,484	2,827	(343)
- to gamblers for remote gaming (Skill/Casino/Bingo)	182	194	(12)
- for management of remote gaming (Skill/Casino/Bingo)	-	259	(259)
- for assignment of Di Majo Arbitration receivables	10,837	13,816	(2,979)
- for Di Majo Arbitration set-offs	8,795	-	8,795
- for non-competition covenant	503	1,001	(498)
- to employees and co-workers	1,687	1,983	(296)
- to directors	552	831	(279)
- to auditors	159	296	(137)
- for security deposits	2,395	1,537	858
- to others	1,458	1,378	80
	71,274	53,581	17,693
Accruals and deferred income			
- Accruals	56	21	35
- Deferred income	55	86	(31)
	111	107	4
Total payables and others current passivity	86,813	74,893	11,920

The instalments payable on the tax assessment notice of a total of EUR 4,548 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on December 2009 and November 2011, of which amount EUR 1,429 thousand is due within more than 12 months and EUR 3,119 thousand is due within 12 months. That amount includes the tax, penalties e interest as defined in the final tax assessment notices, with acceptance granted on 14 October 2010 (for the years 2006-2007-2008), 21 February 2012 (for the year 2009) and 5 July 2012 (for the year 2010), in which it was also agreed to the extend payment through 12 quarterly instalments. For more details, see note 26.
The other current liabilities include "payables for non-competition covenant" recognised as a result of the commitment made by certain former managers not to conduct competitive activities for a 3-year period starting on 1 April 2011.

The item "Payables to third parties for assignment of Di Majo Arbitration receivable" concerns the acquisition of certain receivables from managers or third-party concessionaires; for more details see note 19.

The payables to AAMS for outstanding PREU, in the amount of EUR 16,252 thousand, is calculated from the entertainment machine transactions.

28. Trade payables

The trade payables are composed as follows:

thousands of Euros	31/12/2012	31/12/2011	Change
Trade payables			
- to suppliers	27,130	16,306	10,824
- to outside suppliers	5,046	3,531	1,515
- to Subsidiary suppliers	785	125	660
- to partner suppliers	43	43	-
- to associated suppliers	215	153	62
Total trade payables	33,219	20,158	13,061

29. Overdue accounts payable

As required by the Consob memorandum no. 10084105 of 13 October 2010, the following table shows the Company's accounts payable, itemised by type, with the amounts due stated separately.

amounts in thousands of Euros	Balance at 31/12/2012	of which due on 31/12/2012
Current liabilities		
Financial payables	38,460	-
Trade payables	33,219	8,511
Tax payables	11,114	-
Payables tosoc. sec. entities	1,531	-
Other payables	74,168	-
	158,492	8,511

- Trade payables: the amounts due at 31 December 2012, in the amount of EUR 8,511 thousand, are included in ordinary course of business, to suppliers of goods, services and materials; those amounts were successively paid at 31 December 2012. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

30. Financial commitments

The guarantees given amount to EUR 186,314 thousand (versus EUR 234,467 thousand)and relate to:

Bank	Beneficiary	Object of the guarantee	Amount of guarantee at 31 December 2012 (thousands of Euros)	Amount of guarantee at 31 December 2011 (thousands of Euros)

UNICREDIT	AAMS	To guarantee the opening of shops and sports betting points and activation of remote sports gaming for the 2006 tender concessions. On 05/04/2011, the object (not the amount) of the guarantee was supplemented, and the max. guarantee was set to € 200,000 under Article 15 of the supplementary concession until 31/03/2012.	35,895	39,542
UNICREDIT	AAMS	For prompt and accurate payment of PREU and security deposit	24,600	24,600
UNICREDIT	AAMS	To guarantee the opening of the horseracing corners and shops and activation of remote horseracing gaming the horseracing concessions of the 2006 tender	18,134	26,527
UNICREDIT	AAMS	To guarantee the horseracing bet acceptance commission	13,590	13,590
BANCA POP. DI VICENZA (EX B. NUOVA)	AAMS	To guarantee prompt and accurate payment of the PREU	10,000	10,000
UNICREDIT	AAMS	Sports concession	7,652	7,652
CR DI PISTOIA E DELLA LUCCHESIA (ex CRF)	AAMS	To guarantee prompt and accurate payment of the PREU	6,000	6,000
UNICREDIT	AAMS	For application to participate in tender	6,000	6,000
UNICREDIT	AAMS	For proper performance, payment of prices for issuance of permits for installation of the VLT, and AWP machines.	6,000	6,000
UNICREDIT	ex ASSI	On behalf of Teleippica, for the assignment of transmitting, processing and broadcasting audiovisual signals from Italian racetracks to foreign countries	5,387	0
CR DI PISTOIA E DELLA LUCCHESIA (ex CRF)	AAMS	Sports concession	5,000	5,000
CREDART	AAMS	For prompt and accurate payment of the PREU	5,000	5,000
BNL	AAMS	For horseracing and sports acceptance commissions	4,960	4,960
BPM	AAMS	To guarantee preparation and adaptation of the infrastructure for connecting the system access points to the processing system	3,000	3,000
CREDART	AAMS	To guarantee payment on the agreed dates of the instalments on payables due by the concessionaire to the Tax Office and ex ASSI	2,983	2,983
UNICREDIT	AAMS	Application for the award of 2,000 operating rights and collection of physical gaming networks based on horseracing and sports	2,900	0
MPS	AAMS	Application for the award of 2,000 operating rights and collection of physical gaming networks based on horseracing and sports (provisional)	2,500	0

CREDART	AAMS	Proper performance of the assigned activities and functions, prompt and accurate payment of tax and amounts due to ex ASSI	2,202	2,202
MPS	AAMS	Horseracing concession	2,131	2,131
BPM	AAMS	To guarantee prompt and accurate payment of concession payments	2,057	2,057
UNICREDIT	REVENUE OFFICE	To guarantee amount due on tax assessment notice under Leg. Decree no.218/1997	1,928	5,110
BNL	AAMS	Sports concession	1,923	1,923
UNICREDIT	AAMS	Online gaming	1,771	200
BPM	AAMS	Horseracing concession	1,704	1,704
MPS	AAMS	Horseracing concession	1,573	1,573
CASSA DI RISPARMIO DI RAVENNA	PUBLIC ENTITIES	Non-joint-and several prorated guarantee on behalf of Hippogroup Roma Capannelle for the opening of credit line on current account and guarantee to cover the agreed obligations including those assumed to Roma Capitale	1,389	1,389
BPM	AAMS	Horseracing concession	1,259	1,259
BINTER	ex ASSI	Temporary deposit on behalf of Teleippica for the invitation to tender for the service of transmitting, processing and broadcasting audiovisual signals from Italian racetracks to foreign countries	1,200	0
BINTER	AAMS	For application for the award of 2,000 operating rights and collection of physical gaming networks based on horseracing and sports AAMS (provisional)	1,200	0
B.INTESA	AAMS	Horseracing concession	1,163	1,163
MPS	AAMS	Sports concession	1,000	1,000
UNICREDIT	AAMS	To guarantee timely and accurate payment of PREU	994	2,047
UNICREDIT	AAMS	Sports concession	344	344
UNICREDIT	ex ASSI	For agency 257	317	317
UNICREDIT	ex ASSI	For agencies 223 and 465	283	283
BPM	AAMS	To guarantee amounts due to tax office and ex ASSI to guarantee concession 1507	230	230
FINAURORA	ex ASSI	To guarantee concession obligations for the horseracing concessions	0	25,806
UNICREDIT	AAMS	To guarantee concession payments- 30/10/06 – Payment by SNAI of 1° instalment on supplementary sports minimum payments	0	9,008
FINAURORA	ex ASSI	To guarantee structured debt related to horseracing concessions	0	7,585
B.INTESA	AAMS	Horseracing concession	0	2,557
BNL	AAMS	Horseracing concession	0	959
BNL	AAMS	Horseracing concession	0	708
UNICREDIT	AAMS	Sports concession	0	203
Misc. (< EUR 200 thousand)			2,045	1,855
TOTAL			186,314	234,467

In reference to the new loans taken out on 29 March 2011, please note that the Company, as is usual in such operations, has undertaken to provide a series of real guarantees on its main tangible and intangible assets owned by the Group companies deemed relevant in order to secure those loans.

31. Related parties

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

The following table shows these impacts. The impact that these operations have on the economic results and cash flows of the Company must be analysed considering that the main existing relationships with related parties are exactly identical to the equivalent contracts with third parties.
The Company performs services for concessionaires of sports and horseracing bet acceptance points. Certain concessionaires and managers of points of sale (horseracing and sports shops) may be related to members of the Company's Board of Directors who resigned on 14 May 2012. The transactions provided for under standard contracts are subject to the terms and conditions of the market completely identical to those of third-party concessionaires.
The Company maintains a banking relationship with Banca Popolare di Milano, Intesa San Paolo and Banca Popolare di Vicenza which may be qualified as parties related to SNAI insofar as they are entities attributable to shareholders of SNAI S.p.A.. Such operations are considered to be in the interest of the Company, are part of the ordinary course of business and are subject to the terms and conditions of the market.

The following table shows a summary of the relationships with related parties:

thousands of Euros	**31/12/2012**	**impact %**	**31/12/2011**	**impact %**
Trade receivables:				
- from companies related to directors of SNAI S.p.A.	-	0.00%	13,364	21.12%
- from Global Games S.p.A.	6	0.01%	4	0.01%
- fromSocietà Trenno S.r.l.	359	0.53%	211	0.33%
- from Festa S.r.l.	17	0.03%	23	0.04%
- from Mac Horse S.r.l.	-	0.00%	2	0.00%
- from Immobiliare Valcarenga S.r.l.	4	0.01%	1	0.00%
- from SNAI Olé S.A.	-	0.00%	1	0.00%
- from SNAI France	-	0.00%	1	0.00%
- from Faste S.r.l. in liquidation	-	0.00%	1	0.00%
- from Teleippica S.r.l.	59	0.09%	12	0.02%
- from companies related to shareholders of SNAI S.p.A.	31	0.05%	159	0.25%
Total Trade receivables	**476**	**0.72%**	**13,779**	**21.77%**
Other current receivables:				
- from Società Trenno S.r.l.	6	0.02%	6	0.02%
- from Festa S.r.l.	709	1.93%	562	1.47%
- from Mac Horse S.r.l.	-	0.00%	72	0.19%
- from Immobiliare Valcarenga S.r.l.	62	0.17%	39	0.10%
- from Teleippica S.r.l.	857	2.34%	-	0.00%
- from companies related to shareholders of SNAI S.p.A.	2	0.01%	-	0.00%
Total other current assets	**1,637**	**4.47%**	**679**	**1.78%**
Financial receivables:				
- to Company Trenno S.r.l.	2,821	19.88%	4,778	86.92%
- to SNAI Olé S.A.	-	0.00%	-	0.00%
- to Faste S.r.l. in liquidation	-	0.00%	457	8.31%
- to Teleippica S.r.l.	1,113	7.84%	-	0.00%
- to SNAI France	7	0.05%	5	0.09%
Total financial receivables	**3,941**	**27.77%**	**5,240**	**95.32%**
Total assets	**6,054**	**0.82%**	**19,698**	**2.55%**
Other non-current liabilities				
- to directors of SNAI S.p.A.	-	0.00%	1,134	20.36%
Total other non-current liabilities	**-**	**0.00%**	**1,134**	**20.36%**

Trade payables:				
- to companies related to directors of SNAI S.p.A.	-	0.00%	29	0.14%
- toSocietà Trenno S.r.l.	15	0.05%	188	0.93%
- to Festa S.r.l.	516	1.55%	124	0.62%
- to Teleippica S.r.l.	254	0.76%	1	0.00%
- to Connext S.r.l.	212	0.64%	154	0.76%
- to Tivu + S.p.A. in liquidation	43	0.13%	43	0.21%
- to Alfea S.p.A.	3	0.01%	-	0.00%
Total trade payables	**1,043**	**3.14%**	**539**	**2.66%**
Other current liabilities				
- to Companies related to directors of SNAI S.p.A.	1	0.00%	3,548	4.74%
- to managers di SNAI S.p.A.	-	0.00%	567	0.76%
- to Global Games S.p.A.	6	0.01%	-	0.00%
- to Company Trenno S.r.l.	2,593	2.99%	2,711	3.62%
- to Festa S.r.l.	194	0.22%	-	0.00%
- to Immobiliare Valcarenga S.r.l.	1	0.00%	-	0.00%
- to Teleippica S.r.l.	5	0.01%	-	0.00%
Total Other Current liabilities	**2,800**	**3.23%**	**6,826**	**9.12%**
Current financial payables:				
- to Festa S.r.l.	2,057	5.35%	2,632	2.23%
- to Mac Horse S.r.l.	-	0.00%	347	0.29%
- to Immobiliare Valcarenga S.r.l.	221	0.57%	162	0.14%
- to Teleippica S.r.l.	-	0.00%	1,243	1.05%
Total current financial payables	**2,278**	**5.92%**	**4,384**	**3.71%**
Total liabilities	**6,121**	**1.06%**	**12,883**	**2.30%**

The assets are stated net of the related provision.

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

thousands of Euros	**Fiscal year 2012**	**Impact %**	**Fiscal year 2011**	**Impact %**
Income from services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	198	0.04%	1,755	0.33%
- from Global Games S.p.A.	-	0.00%	4	0.00%
- from Company Trenno S.r.l.	2,696	0.55%	2,729	0.52%
- from Festa S.r.l.	-	0.00%	2	0.00%
- from Connext S.r.l.	-	0.00%	1	0.00%
- from Companies related to shareholders of SNAI S.p.A.	20	0.00%	12	0.00%
Total income from services and chargebacks	**2,914**	**0.59%**	**4,503**	**0.85%**
Other income				
- from SNAI Services S.p.A.	-	0.00%	42	0.89%
- from Companies related to directors of SNAI S.p.A.	1	0.02%	-	0.00%
- from Global Games S.p.A.	6	0.14%	-	0.00%
- from Company Trenno S.r.l.	2,853	67.45%	3,071	65.08%
- from Festa S.r.l.	106	2.51%	200	4.24%
- from Mac Horse S.r.l.	24	0.57%	35	0.74%
- from Immobiliare Valcarenga S.r.l.	11	0.26%	11	0.23%
- from SNAI Olé S.A.	1	0.02%	1	0.02%
- from SNAI France	1	0.02%	1	0.02%
- from Faste S.r.l. in liquidation	1	0.02%	31	0.66%
- from Teleippica S.r.l.	502	11.87%	542	11.49%
- from Companies related to shareholders of SNAI S.p.A.	130	3.07%	-	0.00%
- from Tivu + S.p.A. in liquidation	-	0.00%	5	0.11%

Total other income	**3,636**	**85.95%**	**3,939**	**83.48%**
Interest income:				
- from Companies related to directors of SNAI S.p.A.	17	1.40%	758	27.80%
- from SNAI Services S.p.A.	-	0.00%	284	10.41%
- from Company Trenno S.r.l.	207	17.04%	368	13.49%
- from Festa S.r.l.	1	0.08%	-	0.00%
- from SNAI Olé S.A.	-	0.00%	43	1.58%
- from Faste S.r.l. in liquidation	8	0.66%	16	0.59%
- from Teleippica S.r.l.	6	0.49%	176	6.45%
Total interest income	**239**	**19.67%**	**1,645**	**60.32%**
Total income	**6,789**	**1.36%**	**10,087**	**1.88%**
Costs of raw materials and consumables used				
- from Connext S.r.l.	-	0.00%	1	0.10%
Total costs of raw materials and consumables	**-**	**0.00%**	**1**	**0.10%**
Costs of services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	8,807	2.29%	38,442	9.54%
- from SNAI Services S.p.A.	-	0.00%	11	0.00%
- from Società Trenno S.r.l.	274	0.07%	463	0.11%
- from Festa S.r.l.	4,920	1.28%	5,366	1.33%
- from Mac Horse S.r.l.	230	0.06%	518	0.13%
- from Solar S.A.	-	0.00%	110	0.03%
- from Teleippica S.r.l.	2,261	0.59%	2,206	0.55%
- from Connext S.r.l.	711	0.18%	773	0.19%
- from Alfea S.p.A.	19	0.00%	-	0.00%
- from companies related to auditors of SNAI S.p.A.	1	0.00%	-	0.00%
- from companies related to shareholders of SNAI S.p.A.	1,144	0.30%	16	0.00%
Total costs of services and chargebacks	**18,367**	**4.77%**	**47,905**	**11.88%**
Costs of seconded personnel				
- from Company Trenno S.r.l.	132	0.66%	144	0.77%
- from Teleippica S.r.l.	1	0.01%	1	0.01%
Total costs of seconded personnel	**133**	**0.67%**	**145**	**0.78%**
Other management charges				
- from Companies related to directors of SNAI S.p.A.	31	0.10%	-	0.00%
- from Festa S.r.l.	1	0.00%	-	0.00%
- from Connext S.r.l.	-	0.00%	2	0.01%
- from Company Trenno S.r.l.	1	0.00%	23	0.06%
Total other management charges	**33**	**0.10%**	**25**	**0.07%**
Interest expenses and fees				
Interest expense to Festa S.r.l.	124	0.28%	147	0.35%
Interest expense to Mac Horse S.r.l.	12	0.03%	21	0.05%
Interest expense to Immobiliare Valcarenga S.r.l.	10	0.02%	9	0.02%
Interest expense to Teleippica S.r.l.	64	0.14%	-	0.00%
Interest expense to Solar S.A.	-	0.00%	1,575	3.72%
Notional financial charges on Vendor Loan to companies related to directors of the SNAI Group	-	0.00%	70	0.17%
Total interest expense and fees	**210**	**0.47%**	**1,822**	**4.31%**
Total costs	**18,743**	**3.88%**	**49,898**	**9.89%**

The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 10.68% in 2012 (11.93% in 2011), whereas the total income impacts the profit/(loss) for the year in the amount of 14.74% in 2012 (24.25% in 2011).

The costs of acquisition of semi finished and finished products, raw materials and consumables used, services and chargebacks, costs of seconded personnel and various management charges impact the EBITDA in the amount of 30.22% in 2012 (67.97% in 2011), while the total costs impact the profit/(loss) for the year in the amount of 40.69% in 2012 (119.97% in 2011).

32. Financial risk management

The Company shows financial liabilities that mainly consist of structured bank loans and financial leasing contracts. Such contracts are medium- to long-term.

Those loans were taken out for important strategic development operations planned and carried out from 2006 to 2011, in order to acquire betting agencies concessions and new operating rights, to consolidate and implement the Company's presence in the relevant market.
Remember that besides SNAI's share capital increase in January 2007, by which financial resources were raised in the amount of EUR 249,961 thousand, the Company has signed a new loan agreement in March 2011 for a total initial amount of EUR 490,000 thousand, in order to provide a proper structure for its own growth opportunities, to fund the investments necessary for development, and to allow sufficient autonomy and elasticity of cash flow. Such financing, structured on the basis of several lines of credit, is partially used at 31 December 2012 in a total amount of EUR 368,850 thousand.
The Company's policy is to reduce to a minimum resorting to expensive loans to support ordinary operations, to reduce the collection time on trade receivables, to schedule time extensions and instruments of deferral for the trade accounts payable, and to plan and diversity methods for payment of investments.

Derivative financial instruments
Derivative financial instruments are used by the Company for the purpose of hedging current or anticipated exposure to interest rate risk in accordance with the Group Policy of interest rate risk management.
The objective pursued by the group through the interest rate risk management is to reduce the variability of anticipated flows, without precluding the possibility of benefitting from the lowering of interest rates, thus finding a mix between fixed-rate and floating-rate exposure believed to be in line with these objectives.
In accordance with IAS 39, derivative financial instruments are measured at fair value and are accounted for in accordance with the procedures established for hedge accounting if they meet the requirements of the standard.

Fair value
Fair value is the amount at which an asset could be exchanged, or a liability settled, in a free transaction between informed and independent parties.
The fair value of a financial instrument at the time of initial measurement is normally the transaction price, i.e., the price paid or received. However, if part of the price paid or received is for something other than the financial instrument, then the fair value of the instrument is measured using a valuation technique.
The existence of official price quotations on an active market is the best proof of fair value and, when they exist, they are used for the valuation of the financial asset or liability.
If the market for a financial instrument is not active, the fair value is determined using a valuation technique based mainly on market factors and possible internal parameters.
The financial instruments of the Company measured at fair value are only derivative contracts whose value is determined according to the valuation models and parameters observable on the market; thus, according to the hierarchy of fair value in IAS 39, they are level-2 instruments measured at fair value.

Criteria for the determination of fair value
The Company uses valuation techniques well established in market practice for the determination of the fair value of financial instruments for which no active market exists.
The mark-to-market values resulting from the application of pricing models are periodically compared with the mark-to-market values supplied by banking counterparties.

Hedge Accounting
Depending on the type of risk hedged, the following accounting treatment is applied:
Fair value hedge - if a derivative financial instrument is designated as a hedge for exposure to changes in the fair value of an asset or liability in the balance sheet attributable to a particular risk that could have effects on the income statement:
the changes in the fair value of the hedge instrument are shown in the income statement:
the changes in the fair value of item hedged that are attributable to the hedged risk change the carrying amount of that item and are shown in the income statement;
Cash flow hedge - if a derivative financial instrument is designated as a hedge for exposure to changes in cash flows of an asset or liability in the balance sheet or of an operation foreseen as highly likely, the effects to be recognised are as follows:
the portion of the change in the value of an effective hedge instrument is shown directly in the shareholders' equity and equals the lesser (in absolute terms) of the following:
the cumulative change in the fair value of the hedging derivative starting from the commencement date of the same hedge;
the cumulative change in the net present value of the cash flows expected against the hedge instrument, starting from the commencement date of the hedge.
the portion not effective is determined as the difference between the change in the value of a hedging instrument and the effective component recorded in shareholders ' equity, and is included in the income statement;

the amounts recorded in the shareholders' equity as a component of an effective hedge are transferred to the income statement for the time(s) when the item covered is shown in the income statement.
If the conditions for the application of hedge accounting do not occur, the effects deriving from the assessment at fair value of the derivative financial instrument are shown directly in the income statement.
Currently the Company has concluded derivative financial instruments in hedging interest rate risk which are treated in the hedge accounting (cash flow hedge).
The Company, in order to verify the effectiveness of the hedges conducts quarterly prospective and retrospective tests.
Prospective tests provide that at the beginning and for the whole duration of the hedging relationship, each hedge must prove to be highly effective, whereby effective means that changes in the fair value or cash flow of the item must compensate "almost entirely" the changes in fair value or cash flow of the instrument hedged.
Retrospective tests provide that the coverage is proven to be highly effective when its results fall within a range between 80% and 125%.
The Company, in order to periodically verify the effectiveness of the hedge, uses the Dollar Offset Method or Ratio Analysis.
As of 31 December 2012 the periodic checks of effectiveness using the Dollar Offset Method have shown that the hedges set up by the Company are effective.

Derivatives outstanding at 31 December 2012
At 31 December 2012, the Company had two derivatives outstanding (interest rate swaps) in order to hedge the interest rate risk related to the loan granted by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche.
Bank S.p.A. The Company has chosen to recognise these derivatives using hedge accounting and to treat them as cash flow hedges in accordance with the rules provided in IAS 39.
In particular the two IRS [Interest Rate Swap] contracts, signed respectively with Banca IMI S.p.A., and Unicredit S.p.A., were set up to hedge Facility A, Facility B and the Capex Facility according to the following arrangement:
the interest rate swap signed with Banca IMI S.p.A. is entirely devoted to hedging Tranche A;
the derivative signed with Unicredit S.p.A. is devoted to hedging a share of approximately 67.5% of Tranche B, 5.45% of Tranche A and 27.05% of the Capex Tranche.
As of 31 December 2012 the fair value of the derivatives equals about EUR -3,136 thousand in relation to the IRS agreed with Banca IMI S.p.A and about EIR -6,270 thousand in reference to the IRS agreement signed with Unicredit S.p.A. The following table summarises the changes in cash flow hedge reserve in 2012.

Changes in the cash flow hedge reserve (values expressed in thousands of Euros).

Cash Flow Hedge reserve – Interest rate risk	**31/12/2012**
Initial reserve	**(3,970)**
Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness	(5,281)
Positive (+) /negative (-) restatements on income statement for cash flows that impacted the income statement	2,431
Final reserve	**(6,820)**

Liquidity Risk
The liquidity risk is defined as the possibility that the Company will fail to keep its payment commitments due to the inability to raise new funds (funding liquidity risk), the inability to sell assets on the market (asset liquidity risk), or being be forced to sustain very high costs to meet its own commitments. The Company's exposure to this risk is especially connected to the commitments arising from the finance transaction entered into in March 2011 with Unicredit Banca S.p.A., IMI S.p.A and Deutsche Bank S.p.A., structured on the basis of three different lines of credit.
The table below contains an analysis of the maturities based on the contractual obligations for undiscounted repayment on the various lines of credit taken out in March 2011, the two Interest Rate Swap hedge contracts and the Leasing outstanding at 31 December 2011. The cash flows are entered in the first timeframe where they may occur (values expressed in thousands of Euros).

Desc.	Total cash flow	< 6 M	6 M < CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y	CF > 5 Y
Facility A	(122,088)	(7,110)	(14,007)	(29,479)	(71,492)	0
Facility B	(173,998)	(3,471)	(3,619)	(7,232)	(22,728)	(136,948)
Capex Facility	(60,079)	18,856	(1,703)	(8,144)	(59,985)	(9,103)
Disposal Facility	(91,517)	(2,447)	(1,860)	(3,691)	(11,082)	(72,437)
Revolving Facility	(9,344)	(124)	(9,220)	0	0	0
IRS Banca IMI	(10,149)	(7,775)	(408)	(1,178)	(788)	0
IRS Unicredit	(6,301)	(1,555)	(816)	(2,356)	(1,574)	0
Leasing	(19,317)	(7,254)	(5,569)	(4,256)	(2,238)	0
Other liabilities	(88,752)	(81,919)	(4,894)	(1,537)	(402)	0

Interest Rate Risk
Within the framework of financing activities related to its ordinary course of business, the Company is exposed to interest rate risk which can be defined as the possibility that a loss could occur in the financial management, in terms of lower yield on an asset or greater cost of liabilities (existing and potential), as a result of changes in interest rates.
The interest rate risk therefore represents the uncertainty associated with the trend of interest rates.
The Company's exposure to this risk, at 31 December 2011, especially concerns the loans taken out in March 2011, structured on the basis of various lines of credit, all at variable rates. The Company has assumed the obligation, in reference to the above loans, to obtain suitable hedging instruments to cover the interest risk on certain of the lines of credit. In addition, the Company, as required by Group Policy of interest rate risk management, proceeded in August 2011 to conclude two IRS (Interest Rate swap) contracts with two primary lenders to cover part of the exposure to interest rate risk inherent in the financing.The aim of the management of interest rate risk is to immunise the Company's financial margin against changes in the market rates by controlling volatility and maintaining consistency between the risk/return profile of financial assets and liabilities.
Variable rate instruments expose the Company to variability in cash flows, while those at fixed rates expose the Company to the variability of fair value.
The following table shows the results of the interest rate risk sensitivity analysis (fair value sensitivity) made with reference to the hedging derivatives outstanding at 31 December 2011, together with an indication of their impacts on the Income Statement (IS) and Net Equity (NE).

Interest rate risk sensitivity analysis
Table of interest rate risk sensitivity analysis – fair value sensitivity of hedging derivatives (in thousands of Euros)

#	Counterparty	Type	Accounting treatment	Fair Value	Fair Value +50 bps	Fair Value -8 bps	Delta effect to NE +50 bps	Delta effect to IS +50bps	Delta effect to NE -8 bps	Delta effect to IS -8bps
1	Banca IMI	IRS	Hedging	(3,136)	(2,249)	(3,280)	887	-	(143)	-
2	Unicredit / Tranche B	IRS	Hedging	(4,232)	(3,035)	(4,426)	1,197	-	(194)	-
3	Unicredit / Tranche A	IRS	Hedging	(342)	(245)	(357)	97	-	(16)	
4	Unicredit / Capex &Disposal	IRS	Hedging	(1,696)	(1,216)	(1,774)	2,913	-	(78)	-
			TOTAL € / 000	**(9,406)**	**(6,745)**	**(9,837)**	**5,094**	**-**	**(430)**	**-**

As shown by the table above, with reference to the two derivative contracts to hedge interest rate risk (Interest Rate swaps) outstanding at 31 December 2011 used as a cash flow hedge, a hypothetical change in the Euro rate curve of +50 bps or – 8bps would produce the following effects:
equity: a change in cash flow hedge reserve resulting from the effective component of hedging derivatives of about EUR 5,094 thousand in the case of a positive change in the Euro rate curve and about EUR -430 thousand in the case of a negative change to Euro rate curve;
income statement: no expense/income in case of a positive or negative change to the Euro rate curve.
The sensitivity analysis on the interest rate risk (cash flow sensitivity) was conducted taking into consideration the Balance Sheet items (which are not hedged) that give rise to interests adjusted at a variable rate assuming a change to the Euro rate curve of +50 bps and -8 bps, respectively.

Credit risk
In order to reduce and monitor the credit risk, the Company adopted policies and ad hoc organizational tools.
Potential lending relationships are always subject to prior reliability analysis based on information from the main specialised companies. The analyses are properly supplemented with objective and subjective elements when available within the Company, which gives rise to the reliability assessment. This assessment is subject to review on a regular basis or, where appropriate, following the emergence of new elements.
The debtors of the Company (customers, managers of shops and game points, AWP and VLT operators etc.) are often acquainted and known to the Company, thanks to their now well-established and long-standing presence in all the market service sectors, characterised by a limited number of licensed operators.
Various relationships are previously covered by guarantees or surety deposits, issued in favour of the Company based on the characteristics determined by the reliability assessment.

Established relationships are constantly and regularly monitored by a dedicated structure connected with the various functions involved.
The credits are regularly subjected to analytical assessment. In particular, credits are stated net of the depreciation allowance. Allocations to the doubtful debts provision are recognized when there is objective evidence of difficulty in recovering the credit from the company. Where credits are deemed uncollectible, they are derecognised.
With regard to the financial instruments listed above, the maximum exposure to credit risk, without considering any collateral held or other instruments for credit risk mitigation, equals the fair value.
The risk regarding other financial assets of the Company is limited.

Currency exchange risk
There are no noteworthy transactions outstanding that might generate risks related to exchange rate fluctuations.

Capital management
The Company's capital management is aimed at ensuring a solid credit rating and appropriate levels of capital to support industrial activity and investment plans, in compliance with the contractual obligations undertaken with lenders.

The Company, to the extent permitted by the terms of the funding in place, can provide dividends to shareholders and issue new shares.

The Company analysed its capital through a debt-to-capital ratio, i.e., the ratio between the net debt and shareholders' equity plus net debt. The Group's policy aims to maintain the ratio between 0.3 and 1.0.

33. Significant non-recurring events and transactions

In fiscal year 2012, no items were recognised in the category of non-recurring income and expense, within the meaning of Consob Resolution 15519 of 27 July 2006, which defines them as "income components (positive and/or negative) deriving from events or transactions whose occurrence is not recurring or from those transactions or facts that do not recur frequently in the usual course of business".

34. Positions or transitions arising from atypical and/or unusual transactions

In the course of 2012, no atypical and/or unusual transactions occurred.

35. Net financial position

As required by CONSOB Notification of July 28, 2006 and in accordance with the CESR Recommendation of 10 February 2005 "Recommendations for uniform implementation of European Commission Regulations on prospectuses", it should be noted that the Company's net financial position is as follows:

	(amounts in thousands of Euros)	31/12/2012	31/12/2011
A.	Cash	99	194
B.	Other cash and cash equivalents	9,490	36,935
	bank accounts	9,474	36,928
	postal accounts	16	7
C.	Securities held for trading	1	1
D.	**Liquidity (A)+(B)+(C)**	**9,590**	**37,130**
E.	Current financial receivables	3,948	5,496
	- financial current account with subsidiaries	3,941	5,240
	- Escrow Account	7	256
F.	Current liabilities to banks	10,038	17,655
G.	Current portion of non-current debt	16,100	75,750
H.	Other current financial liabilities:	12,322	24,619
	- financial current account with subsidiaries	2,278	4,384
	- for acquisition of sports and horseracing betting concession assets	155	365
	- for acquisition of investments in Agency business	0	291
	- payables to other lenders	9,889	19,579
I	**Current financial debt (F)+(G)+(H)**	**38,460**	**118,024**
J.	**Net current financial debt (I)-(E)-(D)**	**24,922**	**75,398**
K.	Non-current liabilities to banks	328,866	259,337
L	Bonds issued	0	0
M.	Other non-current liabilities:	15,559	21,847
	- liabilities to other lenders	6,153	16,254
	- for acquisition of sports and horseracing concessions	0	118
	- interest rate swap	9,406	5,475
N.	**Non-current financial debt (K)+(L)+(M)**	**344,425**	**281,184**
O	**Net financial debt (J)+(N)**	**369,347**	**356,582**

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of EUR 10,241 thousand, classified under item "current financial assets" on the balance sheet (see note 20).

- Relative to the financial debt at 31 December 2011, the net financial debt increased by EUR 12,765 thousand. The increase was mainly due to the management of the collections related to the financial situation of the distribution network.

35.1 Covenants

Loan agreements outstanding, as is customary in such funding, entail a number of obligations for the Company.
SNAI S.p.A., in fact, has undertaken to comply with financial parameters under agreements signed with Unicredit Banca S.p.A., IMI S.p.A and Deutsche Bank S.p.A. relating to a medium/long-term loan for up to EUR 490 million (for more information see note 25).
In particular these financial parameters relate to maintaining certain ratios between the cash flows related to financial indebtedness, the "Consolidated EBITDA" and investments. The EBITDA is defined in the financing agreement and indicates the consolidated Earnings Before Interests, Taxes, Depreciation and Amortisation and all special and non-recurring items.
In the course of November 2012, an amendment to the outstanding Facilities Agreement was negotiated with the three Mandated Lead Arrangers (MLAs); that amendment modifies the parameters used to calculate the Senior Leverage Ratio (SLR) and Senior Interest Coverage (SIC) covenants for the periods ending on 31 December 2012, 31 March 2013 and 30 June 2013. That amendment, thanks a upward revision of the EBITDA in the agreed amount, is intended to neutralise the consequences of two exceptional events that have an adverse impact on the calculation of the two ratios (the Barcrest event and the level of payout on sports bets in September 2012). The proposed amendment was accepted by the MLAs on 23 November.
In November 2012, the Acquisition facility credit line in the amount of EUR 60 million was terminated since it was not used within the established time limits.
The calculation performed for the purposes of the covenants at 31 December 2012 does not show any violation of the contractual parameters.

The Company is also obliged to provide its lenders periodic evidence of its financial and economic statements, as well as key performance indicators, with respect to the SNAI Group, regarding, among other things, the EBITDA, net financial debt and working capital, starting from October 2011.

It should be noted that SNAI S.p.A. will be required to repay the full amount of the loans immediately if it fails to comply with the above-mentioned financial covenants and obligations.

36. Financial instruments

The following table shows a comparison of the carrying amount and fair value for each category of all the financial instruments of the Company.

Financial assets and liabilities	carrying amount		fair value	
thousands of Euros	2012	2011	2012	2011
Cash	9,589	37,129	9,589	37,129
Receivables	67,591	63,267	67,591	63,267
Current financial assets	14,190	5,497	14,190	5,497
Current financial liabilities	22,360	42,274	22,360	42,274
Current portion of long-term borrowings	16,100	75,750	16,100	75,750
Non-current financial liabilities	344,425	281,184	344,425	281,184

37. Events occurred since the close of the fiscal year

37.1 PREU tax on Entertainment machines for 2010

On 2 January 2013 AAM proposed another amicable settlement of the 2010 PREU involving, on the one hand, a claim by SNAI resulting from excess PREU paid in the amount of EUR 21,947.21 and, on the other hand, reduced penalties in the amount of EUR 2,933,107.07 and interest in the amount of EUR 478,809.97 for late payment.
On 31 January 2013 SNAI presented its own final observations concerning the rectifications of the calculations contained in the memorandum of amicable settlement.

37.2 Guaranteed minimums

With ruling no. 1054 filed on 30 January 2013, the Second Section of the Lazio Regional Administrative Court accepted the criticisms of unconstitutionality put forward by SNAI in reference to the provisions of Legislative Decree no. 16/2012,

ordering that the trial be suspended and the case referred to the Constitutional Court; in parallel, the original case initiated against the first orders to pay of January 2012 was declared in admissible on the grounds of a lack of standing to sue.
Throughout the constitutionality trial, SNAI is protected by the suspension of enforceability so that AAMS cannot enforce the challenged orders.

37.3 Malfunctioning Barcrest platform VLT (16 April 2012) - *Disputes relating to the entertainment machine business: charges by the Court of Auditors and AAMS for alleged breaches in the management of the telematic interconnection network*

The procedure aimed at revoking the concession was concluded with order no. 2013/8734/Giochi/ADI served on the Company on 22 February 2013, by virtue of which AAMS, based on the observations and documentation made available by the Company and as result of the technical verifications and investigations conducted, it was decided not to revoke the Concession but merely to order payment of certain contractual penalties in a total amount of EUR 1,475 thousands of Euros.

37.4 Resignation of a director from his term of office as a member of the Control and Risk Committee and of the Managing Director

On 29 January 2013 Antonio Casari resigned as a member of the Control and Risk Committee and maintained his status of director.
On 13 March 2013, it was announced that Managing Director Stefano Bortoli would resign with effect from the end of the next general meeting called to approval the financial statements for fiscal year 2012. As a result of his resignation from that post, on the day of said general meeting, it will be decided that the entire board of directors will be automatically terminated in accordance with Article 14 of the Articles of Association, since three of the managers appointed by the meeting of shareholders have already tendered their own resignations.

37.5 Final award of the new entertainment machine concession

On 27 December 2011, SNAI received a memorandum from AAMS temporarily awarding the new concession for the implementation and management of the network for telematics management of legal gaming by means of amusement and entertainment machines under Article 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as well as related activities and functions. On 13 November 2012 SNAI obtained the final award of the concession for network management and, having complied with all the requested procedures of documentation, signed the concession agreement on 20 March 2013.

38. Fees for statutory audit and services other than auditing

The following table shows the fees charged for the year 2012 for auditing and other services performed by the auditing firm itself and by the companies belonging to its network.

Type of service	Entity that provided the service	Recipient	Fee pertaining to fiscal year 2012 (thousands of euro)
Accounting Audit	Group Leader's Auditor	Group Leader	428
Services of attestation	Group Leader's Auditor		0
Services of tax consulting	Group Leader's Auditor		0
Other services	Auditor of Group Leader (1)	Group Leader	20
	Network of Group Leader's Auditor (2)	Group Leader	231
Total			**679**

(1) This item relates to the agreed audit activities for the calculations of the on financial covenants
(2) This item related to the IT support services for the project of Assessment of the activities making up the Revenue Assurance process and Testing Support Activities L.262

Other Disclosures

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

1) Detailed statement of investments and changes in the year
2) List of subsidiaries
3) List of associates and other investments
4) Detail statement of available reserves
5) Information on the SNAI Group's Real Property Assets

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

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

on behalf of the Board of Directors
Dr Stefano Bortoli
(Managing Director)

Milan, 21 March 2013

*****

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

Detailed statement of investments and changes in the fiscal year

amounts in thousands of Euros

	VALUES AT 31/12/2011					CHANGES IN THE PERIOD								
	Historic COST	WRITE-UPS	*note*	WRITE-DOWNS	NET VALUE	ACQUISITIONS	DISPOSALS or RESTATEMENTS	CHANGES IN SHARE CAPITAL SOCIALE	WRITE-UPS -	WRITE-UPS +	WRITE-DOWNS -	WRITE-DOWNS +	NET VALUE AT 31/12/12	% owned
INVESTMENTS														
INVESTMENTS IN SUBSIDIARIES & ASSOCIATES:														
- SOCIETA' TRENNO SRL UNIPERSONALE	3,737		*(2)*	(3,224)	513	3,706						(1,500)	2,719	100
- IMMOBILIARE VALCARENGA SRL	228				228								228	100
- FESTA SRL UNIPERSONALE	1,000				1,000								1,000	100
- MAC° HORSE SRL in liquidation	26		*(5)*		26		(26)						0	100
- TESEO SRL in liquidation	723		*(1)*	(723)	0								0	70
- SNAI OLE' S.A.	61		*(4)*	(61)	0								0	100
- SNAI FRANCE S.A.S.	150		*(6)*		150								150	100
-SOLAR S.A.	9				9								9	30
-ALFEA S.P.A. SOC. PISANA CORSE CAVALLI	1,331				1,331								1,331	30.70
- HIPPOGROUP ROMA CAPANNELLE S.P.A.	650		*(3)*	(463)	187								187	27.78
- TELEIPPICA SRL	12,241		*(7)*		12,241								12,241	100
- CONNEXT SRL	77				77								77	25
TOTALINVESTMENTS IN SUBSIDIARIES AND ASSOCIATES:	**20,233**	**-**		**(4,471)**	**15,762**	**3,706**	**(26)**	**0**	**-**	**-**	**-**	**(1,500)**	**17,942**	
INVESTMENTS IN OTHER COMPANIES:														
- TIVU' + SPA in liquidation	101		*(1)*	(101)	0								-	19.50
- LEXORFIN SRL	46				46								46	2.44
TOTAL INVESTMENTS IN OTHER COMPANIES:	**147**	**-**		**(101)**	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**	
TOTAL	**20,380**	**-**		**(4,572)**	**15,808**	**3,706**	**(26)**	**0**	**-**	**-**	**-**	**(1,500)**	**17,988**	

Note:

(1) The share revaluation reserve has been recognised in proportion to the percentage of ownership in the losses resulting from fiscal years 2001 through 2010; in cases in which the percentage of accrual of the loss for the fiscal year exceeds the carrying amount of the investment, a sufficient risk provision has been recognised.

(2) On 27 July 2006, the general meeting of Ippodromi San Siro S.p.A. (formerly Trenno SpA) voted to form the limited liability company "Sport e Spettacolo Ippico", which changed its own company name to "Società Trenno S.r.l.", which was assigned the business line with effect from 20 Sept. 2006.

The general meeting of Società Trenno S.r.l. held on 19 April 2012 voted to cover the losses for 2011 which accrued in 2012 by recognising a reserve for future losses. After that, on 8 November 2012, the general meeting of Società Trenno S.r.l. voted to cover the accrued losses by a waiver of the accounts receivable claimed by the parent SNAI SpA against Società Trenno on the financial current account. The total losses recognised for 2012 amount to EUR 5,368 thousand. At 31 December 2012, the subsidiary was brought into line with the system of measurement of investments at equity, resulting in a write-down of EUR 1,500 thousand.

(3) On 18/11/2009 the Board of Directors of Hippogroup voted to increase the share capital by EUR 815,000to reach the amount of EUR 2,315,000.00 by issuing 12 million shares with a par value of EUR 0.125 each. Following that operation, SNAI S.p.A. underwrote the share capital increase in proportion to its share of the capital and its prorated entitlement to the shares for which subscription options had not been exercised. At 31 December 2009, the amount of the investment represented the cost incurred up to that date–equal to the reduced value of the investment following the share capital reduction (EUR 225 thousand) and to the amount of 2.5/10 of its stake in the share capital (26.67) paid on 22 December 2009 in the amount of EUR 100 thousand -less the write-down of EUR 144 thousand.

On 14 December 2010, the share capital increase operation of Hippogroup Roma Capannelle S.p.A. was completed; that operation had been decided upon by the Board of Directors (pursuant to Article 2443 of the Civil Code) on 18 November 2009. Upon completion of that increase, the share capital of Hippogroup Roma Capannelle S.p.A. amounted to EUR 2,315,000.00 fully paid subscribed and paid up, and the stake of SNAI S.p.A. amounted to 27.78%. In the course of the fiscal year 2010, several payments were made in a total amount of EUR 325 thousand. At 31 December, the investment was valued at EUR 306 thousand, taking into account the losses accrued since 30 November 2010. In the course of 2011, the investment was written down by EUR 13 thousand, taking into account the losses accrued since 31 December 2010.

(4) on 19 November 2008, the company SNAI Olè SA was founded, a fully owned subsidiary of SNAI S.p.A., on 31/12/2011, the investment was written off completely.

(5) On 17 October 2012, the shareholders' meeting of Mac Horse S.r.l. in liquidation approved the final liquidation balance sheet on 30 September 2012 and the distribution plan on 30 October 2012. The company was deregistered from the Trade Register.

(6) On 18 July 2010, a company named SNAI France SAS was formed, with its head office in Paris, France, with share capital of EUR 150 thousand, fully owned by SNAI S.p.A.

(7) On 31 January 2011, the remaining 80.5% of the share capital of Teleippica S.r.l. was acquired, bringing the ownership interest of SNAI S.p.A. to 100%.

Annex 2

List of Subsidiaries

NET PROFIT/LOSS AT 31/12/2012 (*)	PRORATED PROFIT/LOSS	PAR VALUE PER SHARE/ UNIT OWNED	SHARWE CAPITAL	INVESTMENTS	HQ	SHARES/UNITS HELD	PRICE OF ACQUISITION	REVALUATION RESERVE	OWNERSHIP INTEREST			EQUITY AT 31/12/12	PRO-RATED EQUITY	Note
									DIRECT	INDIRECT	TOTAL			
Euro/000	Euro/000	Euro	Euro/000			Number	Euro/000	Euro/000	%	%	%	Euro/000	Euro/000	
(6,423)	(6,423)	1,932,230	1,932.23	1) SOCIETA' TRENNO S.r.l.	MI	1	4,218	(1,500)	100		100	2,718	2,718	*
24	24	0.52	51	2) IMMOBILIARE VALCARENGA S.r.l.	MI	98,000	228		100		100	317	317	
144	144	1,000,000	1,000	3) FESTA S.r.l.	LU	1	1,000		100		100	1,906	1,906	*
(112)	(112)	1	61	5) SNAI OLE' S.a.		61,000	61	(61)	100		100	477	477	
(1)	(1)	1	150	6) SNAI FRANCES.a.s.		150,000	150		100		100	138	138	
(1,423)	(996,10)	1	1,032	8) TESEO S.r.l. in liquidation	RM	722,40	723	(723)	70		70	(4,767)	(3,336.90)	1
2,199	2,199	1	2,540	10) TELEIPPICA S.r.l.	LU	1	12,241		100		100	9,950	9,950	*
(5,592)	**(5,165)**		**6,766**				**18,621**	**(2,284)**				**10,739**	**12,169.10**	

Note:

(*) The financial statements of Società Trenno Srl, Festa Srl e Teleippica Srl were prepared according to IFRS principles; all the others were prepared according to Italian accounting principles.

(1) The profit/loss for the year and net equity refer to the situation reported to the liquidator at 31/12/2011.

List of Associates and Other Investments

FISCAL YEAR	NET BALANCE SHEET PROFIT/ (LOSS) (*)	PRORATED NET PROFIT/ (LOSS) NETTO	PAR VALUE PER SHARE/ UNIT OWNED	SHARE CAPITAL	INVESTMENTS	HQ	SHARES/UNITS HELD	PRICE OF ACQUISITION	REVALUATION RESERVE	OWNERSHIP INTEREST DIRECT %	INDIRECT %	TOTAL %	NET EQUITY ON BALANCE SHEET (*)	PRORATED EQUITY (**)	NOTE
	Euro/000	Euro/000	Euro	Euro/000			Number	Euro/000	Euro/000				Euro/000	Euro/000	
2011	(447)	(87.17)	1.00	520	TIVU' + S.p.A. in liquidation	ROME	101,400	101	(101)	19.5		19.5	(6,749)	(1,316.06)	
2012	(3)	2.25	0.51	81.6	CONNEXT S.r.l.	PORCARI	40,000	77		25		25	252	63	1
2009	39	11.70	2.00	31	SOLAR S.A.	LUXEMBURG	4,650	9		30		30	178	53.40	
2011	7,867	2,185.45	0.30	944.52	HIPPOGROUP ROMA CAPANNELLE S.p.A. (ex SOC. GESTIONE CAPANNELLE S.p.A.)	ROME	1,739,047	650		27.78		27.78	8,538	2,371.86	
2011	68	20.89	1,00	996.3	ALFEA S.p.A. - SOC. PISANA PER LE CORSE CAVALLI	PISA	305,840	1,331		30.7		30.7	4,953	1,520.70	
2011	(15)	(0.38)	36,652.50	1,500	LEXORFIN S.r.l.	ROMAE	1	46		2.44		2.44	1,558	38.03	
	7,509	**2,132.75**						**2,214**	**(101)**				**8,730**	**2,730.93**	

(*) The financial statements of the associates and other companies were prepared according to Italian accounting principles.

(**) The prorated equity approximates the amount measured using the quity method.

Note:

(1) The figures for Connext S.r.l. refer to the closing draft accounting statement at 31 December 2012.

Annex 4

Detailed Statement of Available Reserves

(amounts in Euros):

	Amount	Possibility of use (1)	Share available	Summary of uses in previous 3 years		
				to cover losses		for other regions
Share Capital	60,748,992		-			
Capital reserves:						
Reserve under law 72 19/03/83	-	A, B, C	-	757,115	(2)	
Share premium reserve	147,125,750	A, B	147,125,750	56,974,030	(2) (4)	
Reserve under law 576 02/12/75	-					
Reserve under law 413 30/12/91	-			-		
Revaluation reserve under law 342/00	-			-		
Reserve for gains on capital contributions	-			-		
Reserve for reinvested capital gains (art. 54/597)	-					
Merger reserve	-		-	28,071,658	(2)	

Profit Reserves:

Legal Reserve	1.559.328	B	-			
Extraordinary Reserve	-	A, B, C	-	22,449,411	(2)	
Profit carried forward	-	A, B, C	-	4,904,621	(2)	

Total available reserves	147,125,750
of which:	
Non-distributable share (3)	90,595,130
Distributable share	56,530,620

A: for capital increase

B: for coverage of losses

C: for distributions to shareholders

Note:

1) Subject to further restrictions imposed by statutory provisions, to be made explicit where applicable.
2) Used to cover losses from 2008 and 2009
3) Total amount of non-distributable share is earmarked to cover losses for fiscal year 2012 and reserves to top up the share premium reserve required by Article 2431 of the Commercial Code
4) The share premium reserve is posted net of the reserves resulting from application of the IAS/IFRS accounting principles (note 22).

Annex 5

Information on the SNAI Group's Real Property Assets

REAL PROPERTY ASSETS AT 31 DECEMBER 2012

SURFACE	TRACK m2.	RACETRACK GRANDSTAND m2.*	HORSE STALLS m2.	OFFICES m2.*	DWELLINGS m2.*	FIELDS AND ROADS m2.	OTHER USES m2.	TOTAL m2.
SNAI S.p.A.								
Milano - Via Ippodromo 100				2,238		10,000		10,000
Milan - Via Ippodromo 41			780		230	4,026		
Milan - Via Ippodromo 51			1,215		614	6,455		7,670
Milan -Via Ippodromo 134			6,180		2,150	53,820		60,000
Milan– Cottica horseracing centre			5,000		2,400	53,350	270	58,620
Milan– Trenno training track	410,500							410,500
Milan – Maura training track	250,000							250,000
Milan - Via Rospigliosi 43			6,250			14,539	130	20,919
Milan - V.le Caprilli 30 (gallop)	14,574	1,439						16,013
Porcari (LU) - Via Luigi Boccherini, 39				2,549		2,000		3,000
Porcari (LU) - Via Luigi Boccherini, 57				475		2,379	1,322	3,939
Milan - V.le Caprilli 30 & Via Ippodromo 67 (gallop)	551,206	8,561	3,290		1,680	10,537	160	575,434
Milan- Via dei Piccolomini 2 (trot)	121,270	17,250	5,000	936	2,000	4,295	300	130,865
Montecatini Terme –Trotting Racetrack	92,564	1,620	7,400	750	200	53,217	961	154,142
								1,706,208
IMMOBILIARE VALCARENGA S.r.l.								
Milan - Via Ippodromo 165			1,420		1,465	25,655	25	27,100
								27,100
FESTA S.r.l.								
Porcari (LU) - Via Lucia, 7							3,440	**3,440**
	1,440,114	**28,87**	**36,535**	**6,948**	**10,739**	**240,273**	**6,608**	**1,736.748**

* The surface areas reported in this column are not on ground level and are not taken into account in the "Total" column.

Certification related to the annual financial statement pursuant to articles 154 *bis*, paragraph 5, Legislative Decree 58/98

1. The undersigned, Stefano Bortoli, in his capacity as Managing Director of SNAI S.p.A. and Marco Codella in his capacity as Executive Responsible for the preparation of the corporate and accounting documents of SNAI S.p.A. certify, taking into account the provisions of art.154 – bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:

    - The adequacy in consideration of the company's characteristics and
    - The effective application

of the administrative and accounting procedures for the preparation of the financial statement as of and for period ended 31.12.2012.

2. In such regard, no noteworthy matters have emerged.

3. We also certify that:

   3.1 the annual financial statement:

   a) is prepared in compliance with international accounting standards recognized in the European Community pursuant to EC regulation no. 1606/2002 of the European Parliament and Council, of 19 July 2002;

   b) reflects the data set forth in the accounting books and records;

   c) is adequate to provide a truthful and accurate representation of the balance sheet and economic and financial condition of the issuer and the companies included within the consolidation perimeter.

   3.2 The directors' report includes a reliable analysis on the performance and results of operations, as well as the financial condition of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

This certification is rendered also pursuant to and for purposes of art. 81-ter of Consob Regulation No. 11971 dated 14 May 1999, as subsequently amended and supplemented.

Milan, 21 March 2013

The Managing Director	The Executive Responsible for the preparation of the corporate and accounting documents
(Stefano Bortoli)	*(Marco Codella)*

SNAI Group
Consolidated Financial Statement as of 31.12.2012 and explanatory notes

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

Milan, 21 March 2013

CONTENTS

SNAI GROUP: CONSOLIDATED FINANCIAL STATEMENT AS OF 31.12.2012 AND EXPLANATORY NOTES

SNAI Group - Total consolidated income statement

figures in thousands of Euro	**Notes**	**year 2012**	**of which Related Parties note 33**	**of which non-recurring note 35**	**year 2011**	**of which Related Parties note 33**	**of which non-recurring note 35**	**Re-stated year 2011 ***	**of which Related Parties note 33**	**of which non-recurring note 35**
Revenues from sales of goods and services	4	512.683	314		557.401	1.772		557.401	1.772	
Other revenues and proceeds	5	1.689	138		1.139	48		1.139	48	
Change in inventory of finished and semi-finished products	18	(3)			2			2		
Raw materials and consumtables used	6	(1.206)			(1.451)	(2)		(1.451)	(2)	
Costs for services and the use of third party goods	7	(389.335)	(10.713)		(409.860)	(39.355)	(2.213)	(409.860)	(39.355)	(2.213)
Costs of personnel	8	(33.840)			(33.336)			(33.336)		
Other operating costs	9	(33.697)	(32)		(39.937)	(2)	(313)	(39.937)	(2)	(313)
Costs for capitalized internal works	10	1.096			765			765		
Earnings before interest taxes depreciation and amortization		**57.387**			**74.723**			**74.723**		
Amortization and write-downs	11	(59.748)			(74.768)			(74.768)		
Other allocations set aside	28	(11.529)			(5.015)			(5.015)		
Earnings before interest and taxes		**(13.890)**			**(5.060)**			**(5.060)**		
Proceeds and costs from shareholdings		1.451			(4)			(4)		
Financial proceeds		1.002	17		2.524	1.142		2.231	1.142	
Financial costs		(45.027)			(42.362)	(1.645)	(159)	(42.349)	(1.645)	(159)
Totals financial costs and proceeds	12	**(42.574)**			**(39.842)**			**(40.122)**		
EARNINGS BEFORE TAXES		**(56.464)**			**(44.902)**			**(45.182)**		
Income taxes	13	13.904			4.578		(3.394)	4.655		(3.394)
earnings (loss) for the year		**(42.560)**			**(40.324)**			**(40.527)**		
Other components of the total income statement	24	(3.561)			(3.963)			(3.760)		
Total earnings (loss) for the year		**(46.121)**			**(44.287)**			**(44.287)**		
Attributable to:										
earnings (loss) for the year pertaining to the Group		(42.560)			(40.324)			(40.527)		
earnings (loss) for the year pertaining to Third Parties		0			0			0		
total earnings (loss) for the year pertaining to the Group		(46.121)			(44.287)			(44.287)		
total earnings (loss) for the year pertaining to Third Parties		0			0			0		
earnings (loss) per base share in Euro	25	(0,36)			(0,35)			(0,35)		
earnings (loss) per diluted share in Euro	25	(0,36)			(0,35)			(0,35)		

(*) I saldi dell'esercizio 2011 sono stati riesposti a seguito dell'applicazione in via anticipata dello IAS 19 rivisto.

SNAI Group - Consolidated balance sheet

figures in thousands of Euro	Notes	31.12.2012	of which Related Parties note 33	31.12.2011	of which Related Parties note 33	Restated as of 31.12.2011 (*)	of which Relate Parties note 33
ASSETS							
Non-current assets							
Owned real estate properties, plants and machinery		134.819		128.968		128.968	
Assets under financial leasing arrangements		17.294		28.065		28.065	
Total tangible fixed assets	14	**152.113**		**157.033**		**157.033**	
Goodwill		231.531		231.531		231.531	
Other intangbile assets		151.409		185.082		185.082	
Total intangible fixed assets	15	**382.940**		**416.613**		**416.613**	
Shareholdings assets using the net equity method		3.264		1.813		1.813	
Shareholdings in other companies		46		46		46	
Total shareholdings	16	**3.310**		**1.859**		**1.859**	
Tax paid in advance	17	63.879		45.132		45.132	
Other non-financila assets	20	2.341		1.466		1.466	
Total non-current assets		**604.583**		**622.103**		**622.103**	
Current assets							
Inventories	18	3.384		2.755		2.755	
Trade receivables	19	91.837	128	76.391	13.528	76.391	13.528
Other assets	20	36.364	3	38.971		38.971	
Current financial assets	21	10.249		257		257	
Cash and cash liquidities	22	11.010		40.282		40.282	
Total current assets		**152.844**		**158.656**		**158.656**	
TOTAL ASSETS		**757.427**		**780.759**		**780.759**	
LIABILITIES AND NET SHAREHOLDERS' EQUITY							
Net Shareholders' Equity pertaining to the Group							
Share capital		60.749		60.749		60.749	
Reserves		146.040		189.925		190.128	
Earnings (loss) for the year		(42.560)		(40.324)		(40.527)	
Total Net Shareholders' Equity pertaining to the Group		**164.229**		**210.350**		**210.350**	
Net Shareholders' Equity pertaining to third parties							
Total Net Shareholders' Equity	23	**164.229**		**210.350**		**210.350**	
Non-current liabilities							
Severance indemnity	26	5.190		5.033		5.033	
Non-current financial liabilities	27	344.436		281.207		281.207	
Deferred taxes	17	48.150		45.168		45.168	
Provisions for risks and future costs	28	25.136		15.568		15.568	
Miscellaneos debts and other non-current liabilities	29	1.951		5.583	1.134	5.583	1.134
Total non-current liabilities		**424.863**		**352.559**		**352.559**	
Current liabilities							
Trade debts	30	44.239	258	27.589	231	27.589	231
Other liabilities	29	87.901	6	76.567	4.115	76.567	4.115
Current financial liabilities		20.095		37.944		37.944	
Current quotas of long-term loans		16.100		75.750		75.750	
Total financial liabilities	27	**36.195**		**113.694**		**113.694**	
Total current liabilities		**168.335**		**217.850**		**217.850**	
TOTAL LIABILITIES AND NET SHAREHOLDERS' EQUITY		**757.427**		**780.759**		**780.759**	

(*) The figures for 2011 have been restated following early application of the revised IAS 19.

CHANGES IN CONSOLIDATED NET SHAREHOLDERS' EQUITY

(figures in thousands of Euro)

	Notes	Share capital	Legal reserve	Share premium reserve azioni	Cash Flow Hedge Reserve	Reserve for the remeasurement of defined benefits plans for employees (IAS 19) (*)	Extraordinary reserve	Earnings (losses) carried forward	Earnings for year	Total Net Shareholders' Equity	Total Net Shareholders' Equity	Total Net Shareholders' Equity
Balance as of 01.01.2011		60.749	1.559	211.319	(7)	0	17.954	(4.490)	(32.447)	254.637	0	254.637
Loss for year 2010				(15.415)			(17.954)	922	32.447	0		0
Earnings (loss) for the year									(40.527)	(40.527)		(40.527)
Total other earnings /(losses)					(3.963)	203				(3.760)		(3.760)
Total earnings as of 31.12.2011		0	0	0	(3.963)	203	0	0	(40.527)	(44.287)		(44.287)
Balance as of 31.12.2011		**60.749**	**1.559**	**195.904**	**(3.970)**	**203**	**0**	**(3.568)**	**(40.527)**	**210.350**	**0**	**210.350**

	Notes	Share capital	Legal reserve	Share premium reserve	Cash Flow Hedge Reserve	TFR Reserve (IAS 19)	Extraordinary reserve	Earnings (losses) carried forward	Earnings for the year	Total Net Shareholders' Equity pertainig to the Group	Total Net Shareholders' Equity pertaining to Third Parties	Total Net Shareholders' Equity
Balance as of 01.01.2012		60.749	1.559	195.904	(3.970)	203	0	(3.568)	(40.527)	210.350	0	210.350
Loss for year 2011	23			(41.559)				1.032	40.527	0		0
Earnings (loss) for the year									(42.560)	(42.560)		(42.560)
Total other earnings/(losses)	24				(2.850)	(711)				(3.561)		(3.561)
Total earnings as of 31.12.2012		0	0	0	(2.850)	(711)	0	0	(42.560)	(46.121)		(46.121)
Balance as of 31.12.2012		**60.749**	**1.559**	**154.345**	**(6.820)**	**(508)**	**0**	**(2.536)**	**(42.560)**	**164.229**	**0**	**164.229**

(*) The reserves are stated following early application, starting in financial year 2012, of the revised IAS 19. The registration of such reserves has led to a change, in the same amount, of the opening balance of the item "Earnings/results of operations for financial year".

SNAI Group- Consolidated cash flow statement

figures in thousands of Euro	Notes	31.12.2012	of hich Related Parties note 33	31.12.2011	of which Related Parties note 33	Re-stated 31.12.2011 (*)
A. CASH FLOW FROM OPERATIONS FOR YEAR						
Earnings (loss) for the period pertaining to the Group		(42.560)		(40.324)		(40.527)
Earnings (loss) for the period pertaining to third parties		0		0		0
Amortization and depreciation	11	59.748		74.768		74.768
Net change in assets (liabilities) for taxes paid in advance (deferred)	17	(14.414)		(10.865)		(10.962)
Change in risks provisions	28	9.776		6.848		6.848
(Capital gains) capital losses from the realization of non-current assets	5-9	409		1.458		1.458
Quota of earnings pertaining to shareholdings assessed using the Net Equity Method (-)	12	(1.451)		49		49
Net change in non-curent commercial assets and liabilities and other miscellaneous changes	20-29	(4.507)	(1.134)	(1.512)		(1.512)
Ne change in current commercial assets and liabilities and other miscellaneous changes	18-19-20-30-29	14.516	9.315	(73.328)	(14.348)	(73.328)
Net change in severance indemnity	26	(824)		(451)		(171)
CASH FLOW GENERATED (ABSORBED) FROM OPERATIONS (A)		**20.693**		**(43.377)**		**(43.377)**
B. CASH FLOW FROM INVESTMENT ACTIVITIES						
Investments in tangible assets (-)	14	(16.540)		(6.103)		(6.103)
Investments in intangible assets (-)	15	(5.269)		(4.881)		(4.881)
Investments in other non-current assets (-)	16	0		0		0
Acquisition of shareholdings in subsidiaries, net of liquidity acquired		0		0		0
Purchase rice collected form the sale of tangible, intangible and other non-current assets		37		207		207
CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES (B)		(21.772)		(10.777)		(10.777)
C. CASH FLOW FROM FINANCIAL ASSETS						
Change in financial receivables and other financial assets	21	(9.992)		8.718	8.974	8.718
Change in financial liabilities	27	(33.123)		(45.343)	295	(45.343)
Repayment/cancellation of loan for the acqusition of "concession" business units	27	0		(228.000)	(43.500)	(228.000)
Repayment of loan	27	(5.750)		(1.150)		(1.150)
Opening /disbursement of loan	27	21.000		354.750		354.750
Change in extended debts owed to PAS for the purchase of "concession" business units	27	(328)		(6.465)	(4.175)	(6.465)
CASH FLOW GENERATED (ABSORBED) BY FINANCIAL ASSETS (C)		(28.193)		82.510		82.510
D. CASH FLOW FROM TERMINATE ASSETS/ASSETS HELD FOR SALE (D)						
E. TOTAL CASH FLOW (A+B+C+D)		(29.272)		28.356		28.356
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)		40.282		11.926		11.926
G. NET EFFECT OF CONVERSION OF FOREIGN CURRENCY ON LIQUIDITY						
H. FINAL NET IFNANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	**22**	**11.010**		**40.282**		**40.282**
RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):						
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL DEBTS AT THE START OF THE PERIOD, DETAILED AS FOLLOWS:						
Cash and cash equivalents		40.282		11.926		11.926
Bank overdrafts						
Terminated operating assets						
		40.282		**11.926**		**11.926**
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL DEBTS AT THE END OF THE PERIOD, DETAILED AS FOLLOWS:						
Cash and cash equivalents		11.010		40.282		40.282
Bank overdrafts						
Termintaed operating assets						
		11.010		**40.282**		**40.282**

The figures for 2011 have been restated following early application of the revised IAS 19.

Interest paid in year 2012 amount to approximately Euro 20,861 thousand (Euro 22,408 thousand in year 2011).
The taxes paid in year 2012 amount to approximately Euro 1,135 thousand (approximately Euro 1,026 thousand in year 2011).

EXPLANATORY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENT

1. Main accounting standards

Consolidation perimeter

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 statement of the SNAI group as of December 2012 includes the financial statements of SNAI S.p.A. and the following subsidiaries, which are consolidated using the full consolidation method:

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

With respect to 31 December 2011, the following companies ledft the full consolidation perimeter:
- Faste S.r.l. in liquidation since on 26 April 2012, the quotaholders' meeting of Faste S.r.l. in liquidation approved the final liquidation financial statement as of 31 March 2012 and the allocation plan and on 04 June 2012, the Company was cancelled from the Companies Register and its VAT code was closed with the Revenues Agency;
-Mac Horse S.r.l. in liquidation since on 17 October 2012, the quotaholders' meeting of Mac Horse S.r.l. in liquidation approvd the final liquidation financial statement as of 30 September 2012 and the allocation plan and on 30 October 2012 the Company was cancelled from the Companies Register.

The financial statements of the companies included within the consolidation perimeter all have as the close of their financial year 31 December, the same yearend date as that Parent Company. Such financial statements are opportunely reclassified and corrected in order to align them with the IFRS accounting standards and valuation criteria used by the Parent Company (reporting package). Such financial statements and reporting packages were approved by the respective management bodies. It should be noted that for the affiliates appraised using the net equity method, the estimates are as follows: for Connext S.r.l., the draft financial statement as of 31 December 2012, appropriately corrected to take into account possible IFRS effects was used, for Alfea S.p.A. and Hippogroup Roma Capannelle S.p.A. the forecasted yearend figures as of 31 December 2012 were used.

The consolidated financial statement as of 31 December 2012 was approved by the directors of the Parent Company at the board of directors' meeting held on 21 March 2013 and then authorized for publication as provided by law.

1.1 The directors' assessment on the business continuity requisites

SNAI Group's financial statement for year ended 31 December 2012 presents a loss of Euro 42,6 million, a total loss of Euro 46.1 million, net shareholders' equity of Euro 164.2 million, net financial exposure owed to third parties of Euro 369.6 million. The financial costs incurred from 1 January through 31 December 2012 amount to Euro 45 million. As of 31 December 2011, had incurred a final loss of Euro 40.5 million (including financial costs of Euro 42.3 million), net shareholders' equity amounted to Euro 210.3 million and net financial exposure amounted to Euro 354.4 million.
The final results of operations for the financial year are therefore lower than the original forecasts.

The Directors point out that the difference with respect to forecasts is essentially attributable to effects deriving from the trend in payouts on sports bets and the malfunctioning of the VLT Barcrest platform which occurred in April 2012. The Directors are also of the view that (i) once the payouts return to historic levels and (ii) once the corrective actions for the replacement of the Barcrest VLTs have been completed, the expectations on the Group's performance may come back in line with forecasts. Such forecasts were therefore reflected in the 2013 budget, which was approved on 29 January, and in the "guidelines for the two-year period 2014-2015" prepared for purposes of financial statement assessments and approved by the Board of Directors as part of assessments made for purposes of the impairment test .

In the meantime, the Group, with the successful conclusion of the renegotiation of financial indebtedness in March 2011, obtained continuity in the financial means necessary to support its development plans.

The Directors are therefore of the view that the evolution and expansion of the Group's core business operations will allow for the achievement of a position of economic stability and generate adequate cash flows.

We have also pointed out on numerous occasions that the Group's capacity to achieve such position of stability is mainly dependent upon the achievement of results of operations and financial results that are essentially in line with those included in the above-mentioned company forecasts. In this regard, the Directors are aware that the strategic objectives identified and reflected in the 2013 Budget and in the above-mentioned guidelines for 2014-2015, present inevitable elements of uncertainty due to the unpredictability related to the occurrence of future events and the characteristics of the relevant market, which could have adverse effects on the capacity to achieve future results and cash flows, on which, moreover, the main assessments made for purposes of the preparation of this financial statement are based. Nonetheless, the Directors are of the view that the above-mentioned strategic objectives are reasonable.

On the basis of all of the foregoing considerations, the Directors are of the view that the Group has the capacity to continue its business operations in the foreseeable future, and therefore prepared the financial statement based upon an assumption of business continuity.

1.2 Accounting standards

(a) General standards

The consolidated financial statement as of 31 December 2012 was prepared on the basis of the IFRS, in force as of such date, issued by the International Accounting Standards Board and approved by the European Commission.

The accounting standards followed in drafting this consolidated financial statement comply with those followed for the preparation of the consolidated financial statement as of 31 December 2011, except for the use of the new or revived standards of the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Commettee – which did not have material effects on the Group's financial position or results of operations – and with the exception of the early and retroactive adoption of the revised version of IAS 19 (Benefits for employees). As a result of the application of such standard, the data for the previous financial year included for comparison purposes have been revised accordingly ("Re-stated").

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

Amendments and new standards and interpretations
As required under paragraph 28 of IAS 8, the IFRS in force since 1 January 2012 and applied by the group are indicated and briefly illustrated below:

- IAS 12 Deferred taxes: recovery of underlying assets
- IFRS 7 – Supplementary information – Transfers of financial assets
- IFRS 1 Initial adoption of the IFRS – Serous hyperinflation and elimination of dates set for new users

Adoption of standards and interpretations is described below:

IAS 12 – *Deferred taxes: recovery of underlying assets*
This amendment clarifies the determination of deferred taxes on real estate investments assessed at al fair value. The amendment introduces a challengeable presumption that a deferred tax asset related to a real estate investment, assessed using the fair value model provided under IAS 40, must be determined assuming that the book value is recovered through the sale (on a sale basis). In addition, it requires that a deferred tax asset on assets that are not amortizable and are assessed on the basis of the model providing for the redetermination of the value provided under IAS 16 should always be assessed assuming the sale of the asset (on a sale basis). The effective date of such amendment is for financial years starting on or after 1 January 2012. This amendment had no impact on the Group's financial position, results or disclosure.

IFRS 7 – Supplementary information – Transfers of financial assets
The amendment calls for supplementary disclosure on transferred assets which are not fully cancelled from the financial statement, so as to allow users of the financial statement to understand the relationships between the assets not cancelled and the liabilities associated with them. If the assets are fully cancelled but the company maintains a residual involvement, disclosure must be provided that allows the users of the financial statement to assess the nature of the remaining involvement of the amount of the cancelled assets and the risks associated with the same. The effective date of adoption of the amendment is for financial years starting on or after 1 July 2011. This amendment had no impact upon the Group's financial position, results or operations or disclosure.

IFRS 1 Initial adoption of IFRS – Serious hyperinflation and elimination of dates scheduled for new users
When the date of transition to IFRS corresponds or is subsequent to the date of normalization of the functional currency, the company may decide to measure all of the assets and liabilities held prior to the date of normalization using their fair value as of the date of transition to the IFRS. The fair value may be used as the presumed cost of these assets and liabilities in the IFRS opening balance sheet. In any event, this exemption may be applied only to the assets and liabilities subject to serious hyperinflation. The effective date of adoption of the amendment is for financial years starting on or after 1 July 2011; early adoption is permitted. This amendment had no impact upon the Group's financial position, results of operations or disclosure.

New Principles and Interpretations adopted by the EU, not yet in force and applied on an early basis

IAS 19 (2011) *(Benefits for employees)*
In June 2012, EC Regulation no. 475-2012 was issued, which implemented at the European level the revised version of IAS 19 (*Benefits for employees*) which is applied starting on 1 January 2013 in accordance with the retroactive method, as provided under IAS 8 (*Accounting standards, changes in accounting estimates and errors*). SNAI has decided to apply, as permitted, such amendments on an early basis starting from the consolidated financial statement as of 31 December 2012, in order to reduce the volatility of the figures registered in the separate income statement.
IAS 19 (2011) provides, in particular, for defined benefit plans (such as, for example, Severance Indemnity - *Trattamento di Fine Rapporto* or TFR), the statement of changes in actuarial earnings/losses ("*remeasurements*") among the other components of the total income statement, thus eliminating the other options previously envisaged.
The early application of such amendments led to the redetermination of the figures in the income statement for year 2011.

The effects are as follows:

figures in thousands of Euro	**Year 2011**
Financial proceeds - cancellation of actuarial proceeds	(293)
Financial costs - cancellation of actuarial costs	13
Income taxes	77
Impact on Earnings (loss) for the year	**(203)**

Consolidated Cash Flow Statement
The early application of the revised version of IAS 19 had no effects on "Total cash flow" in the consolidated cash flow statement.

Standards issued by not yet in force

Set forth below is the illustration of standards which, as of the date of the Group's consolidated financial statement were already issued but not yet in force. The list refers to standards and interpretations that the Group envisages will be reasonably applicable in the future. The Group intends to adopt these standards when they enter into force.

IAS 1 Presentation of the Financial statement– Statement in the financial statement of items and other components of the total income statement
The amendment of IAS 1 changes the grouping of the items presented in the other components of the total income statement, The items could be in the future reclassified (or "recycled") in the income statement (such as, for example, the net earnings on net investment coverage, conversion differences in foreign financial statements, net earnings on hedge cash flows and net earnings/losses from financial assets available for sale) should be presented separately with respect to the items that will never be reclassified (such as, for example., actuarial earnings/losses on defined benefits plans and the revaluation/appreciation of land and buildings). The change concerns only the method of presentation and has no effect upon the Group's financial position or results of operations. The amendment enters into force for financial years starting on or after 1 July 2012.

IAS 28 (2011) Shareholdings in affiliates and joint ventures (revised in 2011)
Following the new IFRS 11 joint agreements and IFRS 12 disclosure on shareholdings in other companies, IAS 28 was renamed Shareholdings in affiliates and joint ventures, and describes the application of the net equity method for shareholdings in jointly controlled companies, in addition to affiliates. The amendments are effective for financial years starting on or after 1 January 2013.

IAS 32 Set-off of financial assets and liabilities – Amendments to IAS 32
The amendments clarify the meaning of "currently has a legal right of set-off". The amendments furthermore clarify the application of the set-off criterion of IAS 32 in the case of settlement systems (such as, for example, centralized clearing houses) which apply gross, non-simultaneous settlement mechanisms. These amendments should not give rise to impacts on the Group's financial position or results of operations and will enter into force for financial years starting on or after 1 January 2014.

IFRS 1 Governement Loans – Amendments to IFRS 1
This amendments requires entities which adopt IFRS for the first time to apply in advance the provisions of IAS 20 Accounting treatment of public contributions and disclosure on public assistance for government loans existing as of the

date of transition to IFRS. The entity may choose to apply the provisions of IAS 39 and IAS 20 to government loans retroactively if the information necessary to do so had been obtained at the moment of the initial registration for accounting purposes of the loan. The exemption will give to the new user a benefit of not having to assess retroactively government loans at an interest rate lower than market rate. The amendment will enter into force for financial years starting on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 Supplementary information – set-off of financial assets and liabilities – Amendments to IFRS 7

These amendments require the entity to provide disclosure on the set-off rights and the related agreements (for example, guarantees). The disclosure will provide to the reader of the financial statement useful information to assess the effect of the set-off agreements on the entity's financial position. The new disclosure is required for all financial instruments subject to set-off under IAS 32 Financial instruments: exposure in the financial statement. The disclosure is also required for financial instruments that are subject to master agreements for implementing set-off or similar agreements, regardless of whether or not they are offset in accordance with IAS 32. These amendments will have no impact on the Group's financial position or results of operations and will enter into force for financial years starting on or after 1 January 2013.

IFRS 10 Consolidated financial statement, IAS 27 (2011) Separate financial statement

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statement which governs the accounting of the consolidated financial statement. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Companies.

IFRS 10 establishes a single control model that applies to all companies, including special purpose entities. With respect to the provisions of IAS 27, the changes introduced by IFRS 10 will require the management to make important discretionary assessments in order to determine which companies are subsidiaries/controlled and, therefore ,which companies must be consolidated by the controlling company. On the basis of the preliminary analysis conducted, we do not expect that IFRS 10 will have any impact on the shareholdings currently held by the Group.

This standard applies to financial years starting on or after 1 January 2013.

IFRS 11 Agreements on joint control

IFRS 11 replaces IAS 31 Shareholdings in Joint ventures and SIC-13 Entities controlled jointly (joint ventures) – contributions in kind by the controlling shareholders.

IFRS 11 eliminates the option of registering for accounting purposes jointly controlled companies using the proportional consolidation method. Jointly controlled companies which meet the definition of a joint venture must be registered for accounting purposes using the net equity method.

The application of this standard will have no impact upon the Group's financial statement since there are no agreements on joint control.

IFRS 12 Disclosure on shareholdings in other entities

IFRS12 includes all provisions on disclosure that were previously included IAS 27 related to the consolidated financial statement, as well as all disclosure provisions of IAS 31 and IAS 28. This disclosure relates to the shareholdings of a company in subsidiaries, joint ventures, affiliates and structured vehicles. New disclosure scenarios/surveys are also envisaged. The standard will have no impact upon the Group's financial position or results of operations. This standard apples to financial years starting on or after 1 January 2013.

IFRS 13 Valuation at fair value

IFRS 13 establishes a single guideline as part of the IFRS for all valuations at fair value. IFRS 13 does not change cases in which the fair value is required to be used, but rather provides a guide on how to assess fair value under IFRS, when the application of fair value is required or permitted. The Group is currently assessing the impact that such standard will have on the financial position and results of operations but, based upon the preliminary analysis conducted, we would not expect any significant effect. This standard is effective for financial years starting on or after 1 January 2013.

IFRIC 20 Excavation costs in the production phase of an open pit mine

This interpretation applies to excavation costs incurred in open pit mining operations during the production phase of a mining business. The interpretation deals with the accounting registration of benefits deriving from the excavation operations. This interpretation is effect for financial years starting on or after 1 January 2013. The new interpretation will have no impact on the Group.

Annual improvements May 2012

These improvements will have no impact upon the Group and include:

IFRS1 First adoption of International Financial Reporting Standards

This improvement clarifies that an entity that has ceased to apply IFRS in the past and that decides, or is required, to apply the IFRS, has the option to apply IFRS 1 once again. If IFRS 1 is not applied again, the entity must restate on a retrospective basis its financial statement, as if it had never stopped applying IFRS.

IAS 1 Presentation of the financial statement

This improvement clarifies the difference between voluntary additional comparative disclosure and the minimum required comparative disclosure. Generally the minimum required comparative information is the data for the previous financial year.

IAS 16 Real estate properties, plants and machinery

This improvement clarifies that significant spare parts and machinery dedicated to maintenance, which meet the definition of real estate properties, plants and machinery, are not inventory.

IAS 32 Financial instruments: presentation in the financial statement

This improvement clarifies that taxes related to the distribution to shareholders are recorded for accounting purposes in accordance with IAS 12 Income taxes.

IAS 34 Interim financial statements

This improvement aligns the disclosure requisites for all of the assets of the sector and for all of the liabilities of the sector in the interim financial statement. The clarification also aims to ensure that the disclosure in the interim period is in line with the annual disclosure.
These improvements will be effective for financial years starting on or after 1 January 2013.
The models used by the SNAI Group for the period ended 31 December 2012 have not been amended with respect to those in place as of 31 December 2011.

Documents comprising the financial statement
The documents used by the Group are the following:

Consolidated balance sheet
The presentation of the balance sheet is carried out through a separate statement of current and non-current assets and current and non-current liabilities and for each asset and liability item, the amounts that are expected to be settlement or recovered within or beyond 12 months of the reference date of the financial statement.

Total consolidated income statement
The total income statment sets forth items by category, since it is considered the model which provides the most explanatory information.

Changes in consolidated net shareholders' equity
The document setting forth changes in net shareholders' equity highlights the overall results for the financial year, the effect for each item of net shareholders' equity, of changes in the accounting standards and the corrections of errors provided under International Accounting Standard 8. In addition, it presents the balance of earnings and losses accumulated since the beginning of the year and until the end of the year.

Consolidated cash flow statement
The cash flow statement presents the cash flows from business operations, investments and financial activities. The operating cash flows are represented using the indirect method, whereby the results for the year or the period are adjusted by the effects of non-monetary transactions, any deferral or allocation of previous or future proceeds or operating payments and revenues or costs elements related to cash flows deriving from investment or financial activities.

(b) Drafting criteria

This consolidated financial statement, the amounts of which are expressed in Euro and rounded to the thousands, has been drafted on the basis of the general historic cost criterion, with the exception of certain real estate properties, plants and machinery assessed at the cost replacement value ("deemed cost") as defined below, as for derivatives (fixed quota and reference betting) and shareholdings in other companies registered at fair value.

Uncertainty in estimates
In applying the Group's accounting standards, the directors have made decisions based upon a number of key assumptions concerning the future and other important sources of uncertainty in the estimates as of the closing date of the financial statement, which could give rise to adjustments in the book values of assets and liabilities. In particular, the goodwill is subject to a verification on any losses in value, on at least an annual basis; said verification requires an estimate of the value of use of the units generating the cash flows to which the goodwill is attributed, in turn based upon the estimate of expected cash flows of the units and their present value on the basis of an adjusted discount rate.
The assumptions formulated for purposes of determining the value of use of the individual units generating cash flows, in support of such asset values, incorporate, by their nature, unpredictability related to all of the forecasts. Therefore, they may, in the future, give rise to corrections in accounting values due to the actual realization of assumptions based upon the estimates and, more specifically, the Group's capacity to achieve its 2013 budget objectives and 2014-015 guidelines.

Use of estimates
In the drafting of the financial statement in compliance with IFRS, the company's management must formulate assessments, estimates and guesses/assumptions in accordance with the accounting standards which affect the amounts of assets, liabilities, costs and revenues set forth in the financial statement. The estimates and the related assumptions are based upon the previous experiences and other factors considered reasonable in the circumstances and have been adopted in order to estimate the accounting value of assets and liabilities which is not easily inferable from other sources.

Such estimates and assumptions are revised on a regular basis. Any variations deriving from the revision of accounting estimates are determined in the period in which the revision is carried out.
Set forth below are the key scenarios concerning the future and other important sources of uncertainty in the estimate sas of the closing date of the financial statement, which could give rise to material adjustments in the book values of assets and liabilities within the next financial year.

Reduction in the value of non-financial assets
The Group verifies, on each financial statement date whether there are indicators for reductions in value for all non-financial assets. The goodwill and the other intangible assets having an indefinite useful life are verified on an annual basis in order to identify possible write-downs and over the course of the year only if such impairment indicators exist. The other non-financial assets are verified on an annual basis for write-downs when there are indications that the book value may not be recovered.
When the calculations of the value in use are carried out, the directors must estimate the expected cash flows from operations or from units generating cash flows and choose an adequate discount rate in order to calculate the present value of such cash flows. Additional details and an analysis of sensitivity to the key assumptions/scenarios are set forth below.

Deferred tax assets
Deferred tax assets are also recorded for residual tax losses carried forward, to the extent that it is likely that there will exist future tax earnings for which such losses may be used. A significant discretionary assessment is required of directors in order to determine the amount of the deferred tax assets that may be recorded for accounting purposes. They must estimate the probable temporal manifestation and amount of future taxable earnings as well as the planning strategy for future taxes.

Provisions
Snai sets aside provisions mainly in connection with legal proceedings. The estimate of provisions on this matter, given the complexity of the regulatory framework under which the Group operates, is the result of a complex process which involves subjective assessments by the company's Management.

The accounting standards described below have been applied consistently by all of the consolidated companies of the SNAI Group.

(c) Valuation and consolidation criteria

Subsidiaries
The subsidiaries are companies in which the controlling shareholder has the authority to determine, directly or indirectly, the financial or management policies in order to obtain benefits deriving from its operations. The financial statements of the subsidiaries are included in the consolidated financial statement using the full consolidation method from the moment in which the controlling company begins to exercise control until the date on which such control ceases.
Any excess in the purchase price with respect to fair value of the assets and liabilities acquired is recorded for accounting purposes as "goodwill".
The quotas in net shareholders' equity and the results attributable to minority shareholders are indicated separately, respectively in the consolidated balance sheet and in the consolidated income statement.
The subsidiary Teseo S.r.l. in liquidation is not consolidated fully, the consolidation of which would not have produced material financial, economic or asset-related results. Teseo S.r.l. in liquidation has been assessed using the net equity method and the effects on consolidated results of operations and consolidated net shareholders' equity correspond to what would have resulted from its full consolidation.

Affiliates
The affiliates are entities over whose financial and management policies the group exercises considerable influence, while not having control over the same. The consolidated financial statement includes the quota of the affiliate's earnings and losses pertaining to the group, which is calculated in accordance with the net equity method starting from the date on which the considerable influence initiated until the date on which said influence ceases. Where the conditions are met, such shareholdings are subject to impairment tests in accordance with the rules of IAS 36.

Using the net equity method, the shareholding in an affiliate is registered in the balance sheet at cost and increased by changes to the net assets of the affiliate, after the acquisition, for the quota pertaining to the group. The goodwill pertaining to the affiliate is included in the accounting value of the shareholding and is not subject to amortization. The income statement reflects the quota pertaining to the Group of the results for the year or the period of the affiliate. In the event that an affiliate registers adjustments directly applied to net equity, the Group determines the pertinent quota and states it, where applicable in the table of changes in net shareholders' equity.

Where the quota of losses of an affiliate pertaining to the group exceeds the book value of the shareholding in such affiliate, the Group cancels its shareholding and ceases to record its quota of additional losses except it, and to the extent that, the Group has contracted legal or implicit obligations, or has made payments on behalf of the affiliate company.

Transactions eliminated during the consolidation process
During the consolidation process, intragroup balances transactions, revenues and costs are completely eliminated.
Earnings not realized deriving from transactions with affiliates and jointly controlled entities are eliminate proportionately to the shareholding of the group in the entity. Losses not incurred are eliminated in the same manner as earnings not realized, but only in the absence of indicators that can provide evidence of a loss of value.

Transactions in foreign currency
Transactions in foreign currency are converted at the exchange rate in force on the date of the transaction.
The monetary elements in foreign currency as of the reference date of the consolidated accounting statement are converted into Euro using the exchange rate at the close of the year. Exchange rate differences deriving from the conversion are stated in the income statement with financial proceeds or charges.

Non-monetary items assessed at historic cost in foreign currency are converted using the exchange rates in force on the initial date on which the transaction is recorded. Non-monetary items recorded at fair value in foreign currency are converted using the exchange rate on the date on which such value is determined.

(d) Real estate properties, plants and machinery

Owned assets
Tangible fixed assets are registered at cost or cost replacement, after deducting accumulated amortization and losses in value (see standard f). The cost includes ancillary costs that are directly applied and the initial estimate, where necessary, of costs of dismantling and removal of the asset and restoration of the site on which it was installed and, lastly, an adequate quota of costs of production for assets constructed internally until the moment in which the asset is in the condition necessary to produce revenues.

Such cost includes costs for the replacement of a portion of the machinery and plants in the moment in which they are incurred if they comply with the recording criteria. When significant portions of real estate properties, plants and machinery must be replaced periodically, the Group records such parts as autonomous assets with a specific useful lifetime and a relate amortization. Likewise, when important revisions/repairs are made, the cost is included in the book value of the plant or machinery as a substitution, if the recording criterion is met.
All other repair and maintenance costs are recorded in the income statement when incurred.

If real estate assets, plants and machinery are comprised of various components having different useful lifetimes, such components are recorded separately.

If events or changes in situations indicate that the book values may not be recovered, they are verified and if the book value exceeds their presumptive realization value (consisting in the greater as between the fair value after deducting costs of sale and the value of use), the asset is depreciated accordingly.

Assets under financial leases and operating leases
Assets purchased using financial leasing agreements, through which all risks and benefits associated with the ownership of the asset are essentially transferred to the Group, are registered as assets at their fair value or, if lower, at the current value of minimum payments due for the leasing, including the amount to be paid for the exercise of the purchase option.
The corresponding liability owed to the lessor is stated in the financial statement amount financial liabilities.
The minimum payments due for the leasing are sub-divided among financial costs and reduction of remaining debt. The financial costs are allocate among the financial years of the leasing term in order to obtain a constant interest rate on the remaining liability.
The assets under lease are amortized over the useful lifetime of the assets (as indicated below) and are stated on the financial statement on a net basis after deducting such amortization and any lasting losses in value.
The costs related to the operating leasing agreements are stated in the income statement along the term of the leasing agreements in constant quotas.

Amortization
The amortization of tangible fixed assets is systematically charged to the income statement in constant quotas on the basis of the useful economic-technical lifetime of the related assets, defined as the remaining possibility of use.
Plots of land are not amortizable.
The annual amortization rates used are the following:

- Buildings: from 3% to 9%
- Plants and machinery: from 10% to 20%
- Industrial and commercial equipment: from 10% to 15.5%
- Other assets: from 12% to 33%

The remaining value of the asset, the useful lifetime and the methods applied are revised on an annual basis and adjusted if necessary at the end of each financial year.
The assets for which transfer to the entity granting the concession is envisaged, since they do not fall within the scope of application of IFRIC 12, are amortized at the lower term as between the useful life of the asset and the term of the concession.

Accounting elimination
A tangible asset is eliminated from the financial statement at the moment of sale or when no future economic benefits are expected to be derived from its use or divestment. Any losses or earnings (calculated as the difference between net proceeds of sale and the book value) are included in the income statement in the year of the above-mentioned elimination.

(e) Intangible assets

Goodwill
Goodwill is initially assessed at the cost that is calculated as the excess between the sum of the purchase price paid and the amount paid for minority quotas with respect to identifiable net assets acquired and the liabilities undertaken by the Group. If the purchase price is lower than the fair value of the net assets of the subsidiary purchased, the difference is stated in the income statement.
Goodwill is considered an asset having an indefinite lifetime and is not amortized, but us subjected annually or more frequently (if specific events or changed circumstances indicate the possibility of having incurred a loss in value), to verifications to identify any reductions in value, in accordance with the provisions of IAS 36 – Reduction in the value of assets - ("impairment test") carried out at the level of the cash generating unit to which the company's management attributes/applies the goodwill. Any write-downs are not subject to subsequent recoveries of value.

Other intangible assets
Other intangible assets purchased or produced internally are registered in the assets, in accordance with the provisions of IAS 38 – Intangible Assets, when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset may be determined in a reliable manner.
Such assets are initially assessed at cost of purchase or production and later on a net basis after deducting amortization, determined on the basis if constant quotas throughout their estimate useful lifetime.
The research expenses are registered as cost at the moment in which they are incurred.

The other intangible assets include capitalized costs for software generated internally.
The expenses related to self-generated goodwill and trademarks are recognised on the income statement in the fiscal year in which they are incurred.
Subsequent expenses related to intangible assets are capitalized only when they increase the expected future economic benefits attributable to the assets in question. All other subsequent expenses are allocated to the income statement in the financial year in which they are incurred.

Amortization
Amortization of intangible fixed assets is charged to the income statement on the basis of constant quotas throughout the useful lifetime of the same, with the exception of goodwill which is not amortized, but for which the Group verifies regularly whether it has incurred any reductions in value. Such verification is performed, in any case, on each closing date of the financial statement. Intangible assets having a defined useful lifetime are amortized starting the moment in which the asset is available for use.

The annual amortization rates used by type of asset are as follows:

- Rights of patent and use of copyrights: from 10% to 33%;
- concessions, licenses, trademarks and similar rights: from 5.56% to 33%;
- horse racing and sports concessions and sports and horse racing rights: on the term of the concession expiring between 30/06/2012 and 30/06/2016;
- others: from 10% to 20%.

(f) Reduction in value on non-financial assets

The Group verifies on an annual basis the book values of its assets, in order to identify any reductions in value. If on the basis of such verification, it is found that the assets have effectively incurred a loss of value, the Group estimates the recoverable value of the asset.
The recoverable value of goodwill, of assets with an indefinite lifetime and intangible assets not yet available for use, is estimated on each reference date of the financial statement.
The recoverable value is the greater value as between the fair value of the asset or unit generating cash flows, on a net basis after deducting costs of sale, and its value of use. The recoverable value is determined for each asset, except where such asset generates cash flows that are not substantially independent from those generated by other assets or groups of assets.

Any losses in value of units generating cash flows are applied first of all to reduce the book value of any goodwill attributed to the unit generating cash flows and, then, to reduce the other assets of the unit proportionately to the book value of each asset belonging to the unit.

In order to determine the value of use of an asset, the accounting standard requires the calculation of the present value of estimated future cash flows, on a gross basis before deducting taxes, applying a discount rate that reflects the current market valuations of the temporal value of money and the specific risks of the business/asset. A loss of value is registered if the recoverable value is lower than the book value. Where, subsequently, a loss on an asset other than goodwill is eliminate or reduced, the book value of the asset or the unit generating cash flows is restored.

(g) Restorations of value

Losses in the value of goodwill may not be restored.
With the exception of goodwill, a loss in value of an asset is restored when there is an indication that the loss of value no longer exists or where there has been a change in the valuations used to determine the recoverable value.
The accounting value resulting from the restoration of the loss of value must not exceed the book value that would have been determined (on a net basis after amortization) if the loss in value of the asset had never been recorded for accounting purposes.

(h) Inventories

The inventories are assessed at the lower amount as between the cost (of purchase or production) and the net value of realization, determining the cost using the first in first out (FIFO) method. The valuation of inventories includes the direct costs of materials and labor and the indirect costs (both variable and fixed). Write-down provisions are calculated for products considered obsolete or slow moving, taking into account their expected future use and their realization value. In this regard, we are proceedings with a periodic redetermination of the realization value and the write-down is stated in the income statement at the moment in which the write-down takes place.

(i) Shareholdings and other financial assets

IAS 39 provides for the following classifications of financial statements: financial assets at fair value with variations allocated to the income statement; loans and receivables; investments held until maturity and assets available for sale. Initially, all financial assets are recorded at fair value, increased by ancillary costs, in the case of assets other than those at fair value, with changes to the income statement. The Group determines the classification of its financial assets at the moment of their initial registration.

Shareholdings in other companies and financial assets available for sale
Shareholdings in other companies (under 20%) are assessed at fair value, with allocation of the effects to net shareholders' equity; when their fair value cannot be determined reliably, the shareholdings are assessed at cost adjusted for losses in value, the effect of which is allocated to the income statement. The original value is restored when the conditions no longer exist for write-downs made with allocation of effects to net shareholders' equity.

Risk deriving from possible losses in value exceeding net shareholders' equity is recorded in the specific risks provisions to the extent that the holding company is committed to perform legal or implicit obligations vis-à-vis the subsidiary company.

Shareholdings in other companies currently held by the Group, are assessed at cost rather than at fair value since the latter is not determinable in a reliable manner.

Loss in value on other companies and financial assets available for sale
The Group verifies on each financial statement date whether the shareholdings in other companies have incurred a loss in value. When the fair value cannot be reliably determined, the loss in value is calculated on the basis of opportune valuations resulting from the financial statements of the subsidiaries.

Other financial assets
Other current financial assets include the balances on financial bank accounts vis-à-vis companies subject to control on the part of the same controlling company, and non-consolidated subsidiaries and the controlling company.

(j) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. After the initial registration, such assets are assessed in accordance with the amortized cost criterion, using the actual discount rate method, on a net basis after deducting all amounts set aside for losses in value.
The present value is not calculated for short-term receivables since the effect of the discount of the cash flows is irrelevant. Earnings and losses are registered in the income statement when the loans and receivables are eliminated for accounting purposes or upon the emergence of losses of value.

Fair value
In the case of securities negotiated on the regulated markets, the fair value is determined with reference to the stock market price determined at the end of trading on the closing date of the financial year/period. For investments for which no active market exists, the fair value is determined through valuation techniques based upon: prices of recent transactions between independent parties; the current market value of a substantially similar instrument; an analysis of the present value of cash flows; models for the analysis/appreciation of options.

Amortized cost
Financial assets held until maturity and loans and receivables are measured at amortized cost. The amortized cost calculated using the actual interest rate method net of any amounts set aside for lasting write-downs in value. The calculation takes into account any premium or discount on the purchase and includes costs of transactions and fees that are an integral part of the actual interest rate.

Loss of value on loans and receivables
The Group verifies on each financial statement date whether a financial asset or group of financial assets has incurred a loss of value.
If there exists an objective indication that a financial instrument registered at the amortized cost has incurred a loss of value, the amount of the loss is measured as the difference between the book value of the asset and the present value of estimated future cash flows (excluding future losses on receivables that have not yet been incurred) discounted at the original actual interest rate of the financial asset (or, in other words, the actual interest rate calculated on the initial recording date). The accounting value of the asset will be reduced through the use of provisions.

The amount of the loss will be registered on the income statement.
If, in a subsequent period, the amount of the loss of value is reduced and such reduction may be objectively attributed to an event that occurred after the registration of the loss of value, the value previously reduced may be restored.

Any subsequent restorations in value are registered in the income statement, to the extent that the book value of the asset does not exceed the amortized cost on the date of restoration.

The book value of the receivable is reduced through the use of specific provisions. Receivables subject to loss of value are cancelled when it is determined that they are no longer recoverable.

(k) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, short-term highly liquid financial investments that are readily convertible into cash and that are subject to an irrelevant risk of change in value.

(l) Financial liabilities

Financial liabilities are recorded initially at fair value, on a net basis after deducting transaction costs. After the initial recording, they are assessed at amortized cost, registering any differences between cost and reimbursement value in the income statement for the duration of the liability, in accordance with the actual interest rate method.
The present value of short-term debts is not calculated since the effect of the present value of the cash flows is irrelevant.

All earnings or losses are recorded in the income statement when the liability is repaid, and also through the amortization process.

Financial liabilities at fair value with changes allocated to the income statement
Liabilities held for trading are all liabilities acquired for purposes of selling them over the short-term. Derivatives are classified as financial instruments held for trading unless they are designated as hedging instruments. Earnings or losses on liabilities held for trading are registered in the income statement.

Cancellation of financial assets and liabilities
A financial asset (or, where applicable, a portion of a financial asset or part of a group of similar financial assest) is cancelled from the financial statement when:

- The rights to receive cash flows from the asset have expired;
- The Company preserves the right to receive cash flows from the asset, but is under a contractual obligation to pay them entirely without delay to a third party; ;
- The Company has transferred the right to receive cash flows from the asset and (a) has transferred substantially all of the risks and benefits of ownership of the financial asset or (b) has not transferred or withheld substantially all of the risks and benefits of the asset, but has transferred control over the same.

A financial liability is cancelled from the financial statement when the obligation underlying the liabilities expired, or cancelled or fulfilled.

(m) derivative financial instruments and hedge accounting

Initial registration and subsequent valuation
The Group uses derivative financial instruments such as swaps on interest rates in order to hedge its interest rate risks. Such derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is executed and, subsequently, are assessed once again at their fair value. The derivatives are registered as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any earnings or losses deriving from changes in fair value of derivatives are registered directly in the income statement, with the exception of the effective portion of hedging of cash flows, which is registered in net shareholders' equity.
For purposes of hedge accounting, the hedging may be classified as:

- Hedging of fair value, if they cover changes in the fair value of the underlying asset or liability or a non-recorded irrevocable commitment;
- Hedging of cash flows, if they cover exposure to volatility of cash flows which is attributable to a particular risk associated with a registered asset or liability or a highly likely planned transaction or a risk of currency related to a non-registered irrevocable commitment;
- Hedging of a net investment in a foreign business/operation.

At the commencement of a hedging transaction, the Group delineates and formally documents the hedging relationship to which it intend to apply the hedge accounting, its objectives in the management of risk and the strategy pursued. The documentation includes the identification of the hedging instrument, the element or transaction subject to hedging, the nature of the risk and the modalities with which the company intends to assess the effectiveness of the hedging in offsetting the exposure to variations in the fair value of the element hedged or the cash flows attributable to the risk hedged. We expect that such hedging instruments are highly effective in offsetting the exposure of the hedged element to variations in the fair value or the cash flows attributable to the hedged risk; the assessment of the fact that such hedging instruments have effectively proven to be highly effective is carried out on a continuous basis during the financial years for which they were designated.
The transactions which meet the criteria for hedge accounting are recorded for accounting purposes as follows:

Hedging of cash flows
The portion of earnings or losses on the hedged instrument with regard to the portion of the effective hedging is recorded among the other total earnings in the "*cash flow hedge*" reserves, while the non-effective portion is recorded directly in the income statement, among other operating costs.

The Group uses as hedging instruments for its exposure in foreign currency forward contracts for the purchase of currency based upon the transactions envisaged and the commitments established; likewise, it uses forward contracts for the purchase of raw materials to hedge against volatility in prices of raw materials.

Amounts recognized as part of total earnings are transferred to the income statement in the period in which the transaction covered by hedging affects the income statement such as, for example, when the financial cost or proceed is recorded or when an envisaged sale occurs. When the element covered by the hedging is the cost of a non-financial asset or liability, amounts recognized among other total earnings are transferred to the initial book value of the asset or liability.

If it is concluded that envisaged transaction or irrevocable commitment will no longer occur, the cumulative earnings or losses registered in the cash flow hedge reserve are transferred to the income statement. If the hedging instrument reaches maturity or is sold, cancelled or exercised without replacement, or if its designation as hedging is revoked, the amounts previously recorded in the "*cash flow hedge*" reserve will remain so registered until the envisaged transaction or the irrevocable commitment has an impact upon the income statement.

The Group has in place an interest rate swap which is used as hedging for cash flows related to financial indebtedness.

Classification as current/non-current
Derivative instruments that are designated as effective hedging instruments are classified in line with the underlying element hedged; the derivative instrument is divided between the current and non-current portions only if the allocation is reliably realizable.

The derivatives that are not qualified as "effective hedging instruments" are classifies as current or non-current or separately in part as current and in part as non-current based upon an assessment of the facts and circumstances (for example, the underlying cash flows traded):

- When the Group holds the derivative as economic hedging (and does not apply the hedge accounting) for a period exceeding 12 months after the date of the financial statement, the derivative is classified as non-current (or divided between current and non-current) on the basis of the underlying element;
- Implicit derivatives which are not strictly related to the main contract are classified in line with the cash flows of the main contract;

(n) Severance Indemnity (*Trattamento di Fine Rapporto* - TFR)

Severance Indemnity (*Trattamento di Fine Rapporto* or TFR) is considered a plan of defined benefits for employees pursuant IAS 19. Liability related to defined benefits plans, on a net basis after deducting any assets for the service of the plan, is determined on the basis of actuarial assumptions and is recorded on an accrual basis in line with the work performance necessary for the obtainment of the benefits; the valuation of the liability is carried out by an independent actuary on the basis of assumptions on discount rates, future salary increases, mortality rates and pension increases. Such assumptions are revised on each financial statement date.

Starting on 1 January 2007, the Financial Law for 2007 and the related implementing laws introduced significant amendments to the TFR legal framework, including the worker's option to choose whether to apply his or her accruing TFR to complementary pension funds or to the "Treasury Fund" managed by INPS. In accordance with IAS 19 "Benefits for employees", the obligation representing the severance indemnity accrued as of 31 December 2006 which remains registered even after 1 January 2007 on the liabilities side of the balance sheet in the financial statement constitutes a defined benefits plan, while the obligation vis-à-vis INPS and the contributions to complementary pension forms became "defined contribution plans".

It therefore follows that the obligation vis-à-vis INPS and the contributions to complementary pension forms become, under IAS 19, "defined contribution plans", while quotas registered in the TFR fund remain as "Defined performance plans".
Earnings or losses deriving from the actuarial calculation are applied to net shareholders' equity and consequently in the other components of the total income statement.

(o) Provisions for future risks and costs

The Group records provisions in its balance sheet when it has undertaken an obligation (whether legal or implicit) as the result of a past event and it is likely that the use of resources that produce economic benefits necessary to fulfill such obligation will be necessary.
If the effect is significant, the amount of the allocations set aside is the actual value of estimated future cash flows, discounted to its present value at an interest rate from which taxes have not been deducted (on a gross basis) which reflects the current market valuations of the current market value of cash and the specific risks related to the liability. In the event that the liability is only possible (or, in other words, not probable) or its amount is not determinable, no allocation is set aside, but disclosure is provided on the situation which gives rise to the potential liability.

(p) Leasing

The definition of a contractual agreement as a leasing transaction (or containing a leasing transaction) is based upon the substance of the agreement and calls for an assessment as to whether the performance of the agreement depends upon the use of one or more specific assets or whether the agreement transfers the right to use such asset. A review is performed after the commencement of the contract only if one of the following conditions occurs:

1. There is a change in contractual conditions, other than a renewal or extension of the contract;
2. A renewal option is exercise or an extension is granted, unless the terms of renewal or extension were not initially included in the terms of the leasing transaction;
3. There is a change in the condition pursuant to which the performance/fulfillment depends upon a specific asset;
4. There is a substantial change in the asset.

If a review is carried out in the scenarios referred to in points 1, 3 or 4 above, the accounting registration of the leasing will begin or cease starting on the date on which the circumstances which gave rise to the review changed. If a review is conducted for the scenario referred to in point 2 above, the accounting registration of the leasing will begin or end on the date of renewal or extension.

For agreements entered into prior to 1 January 2005, the date of effect is considered to be 1 January 2005 in accordance with the transitional provisions of IFRIC 4.

Operating lease
Installments under an operating lease are recorded as costs in the income statement, in constant quotas allocated over the term of the agreement.

Financial lease
Financial lease agreements which substantially transfer to the Group all risks and benefits deriving from ownership of the asset leased, are capitalized on the date of commencement of the lease at the fair value of the leased asset or, if lower, a the present value of the installments. The installments are allocated pro rata between principal and interest so as to obtain the application of a constant interest rate on the remaining balance of the debt. The financial costs are allocated directly to the income statement.

Leased assets that are capitalized are amortized over the shorter term as between the estimated useful lifetime of the asset and the term of the lease agreement, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the agreement.

(q) Revenues and costs

Revenues are recorded to the extent that it is likely that the group will attain economic benefits and their amount is determinable in a reliable manner. Revenues are represented on a net basis after deducting discounts, coupons an returns.

In particular, revenues from the sale of assets are recorded when the risks and benefits related to ownership of the assets are transferred to the purchaser, the price of sale is agreed or determinable and its collection is envisaged: such moment corresponds generally with the date of delivery or with the shipment of the asset.
Revenues for services are recognized on an accrual basis, depending upon the moment in which the services are performed.
Revenues related to concessions related to paragraph 6a entertainment devices (AWP) are recorded on a net basis after deducting the tax withholding (PREU) and winnings paid and on a gross basis including fees to be paid to operators and merchants, and the installment for the concession to be paid to AAMS.
The revenues related to paragraph 6b entertainment devices (VLT) are expressed in the financial statement under "Revenues from sales of goods and services" net of winnings, jackpots and the tax withholding (PREU), and gross of (therefore without deducting) fees paid to managers, as well as the concession installment to be paid to AAMS.
The revenues related to remote games (Skill/Casino/Bingo) are stated in the financial statement under "Revenues from sales of goods and services" net of winnings, the sole tax and on a gross basis including the costs for the platform and the concession installment.
Pursuant to IAS 32 and 39, wagers from fixed quota and reference betting generate financial liabilities that are assessed in accordance with the fair value criterion. Therefore, the wagers related to the acceptance of fixed quota and reference bets (or bets for which the Group bears a risk deriving from winnings) are stated in the financial statement under "Revenues from sales of goods and services" net of costs for the single tax, the ex ASSI withholding, winnings an refunds paid to bettors.
Revenues related to the acceptance of totalizator bets are recognized on the basis of the discount percentage established under the agreement for the operation of the betting business.
Revenues and costs related to bets are recorded the moment in which the event on which the bet is accepted is completed.
Costs for services are recognized on an accrual basis at the moment in which the services are received.

State Contributions
Contributions from the state and other public entities consist of the contribution to investments fund of the former ASSI (transferred to the Ministry of agricultural and forestry policies by a decree issued by the same Ministry and in concert with the Minister of the Economy an Finance on 31 January 2013, hereinafter referred to as the former ASSI) and contributions to fees for services supplied by the company that operates the racetracks for the benefit of the Public Entity formerly known as ASSI which is the owner of proceeds deriving from the collection of bets on horse races at the same racetracks. They are recorded at their fair value the moment in which there is reasonable certainty that they will be granted and in which the group has fulfilled all conditions necessary in order to obtain them. The contributions obtained to offset the costs incurred are applied to the income statement systematically over the same periods in which the related costs are registered. The contributions obtained to offset an asset registered in the balance sheet are applied to the income statement under the item "other operating revenues" systematically based upon the useful lifetime of the related asset.

(r) Financial costs and proceeds

The financial costs and proceeds are recorded on an accrual basis on the basis of interest accrued using the actual interest rate.

(s) Income taxes

The income taxes include current and deferred taxes calculate don the taxable income of the companies belonging to the Group. The income taxes are stated in the income statement, with the exception of those related to transactions recorded directly in the net shareholders' equity which are recorded in net shareholders' equity.
Current taxes represent an estimate of the amount of income taxes calculated on the taxable income for the financial year.
Taxes paid in advance and deferred taxes are set aside using the so-called "liability method" on the temporary differences between the book values of assets and liabilities registered in the financial statement and the corresponding values recognized for tax purposes, with the exception of the temporary differences recorded at the time of the initial registration of goodwill, the differences related to investments in subsidiaries for which it is likely that in the foreseeable future, the temporary differences will not be reversed. The credits for taxes paid in advance and debts for deferred taxes are assessed using the tax rates that are expected to be applicable in the financial year in which the relevant asset will be realized or the relevant liability repaid or cancelled, based upon the tax rates established under the rulings/provisions in force or substantially in force as of the reference date of the financial statement.
Taxes paid in advance are also set aside on tax losses that are eligible for being carried forward to the extent that it is likely that future taxable income will be available against which they may be recovered.
Credits for taxes paid in advance are recorded to the extent that it is likely that future taxable income will be available against which such assets may be used, also on the basis of the budgets of the companies belonging to the Group and the tax policies. The book value of the credits for taxes paid in advance is reduced to the extent that it is no longer likely that the related tax benefit is realizable.

(t) Disclosure on the sector

An operating sector is a component of an entity that undertakes business operations that generate revenues and costs, the operating results of which are reviewed periodically at the highest operational decision-making level for the adoption of decisions on the resources to be allocated to the sector and an assessment of results, and for which separate financial statement information is available. The Group has concluded that its operating sectors determined in accordance with IFRS

8 are the same operating sectors previously identified in accordance with IAS 14. The notes related to IFRS 8 are illustrated in Note 3, including the related restated comparative information.

(u) Asses held for sale and terminated operating assets

The Group assesses a non-current asset (or group under divestment) classified as held for sale at the lower as between its book value and its fair value, net of costs of sale.
Losses in value that emerge on the basis of the initial valuation of an asset classified as held for sale are recorded in the income statement, even if such assets are reappraised/appreciated. The same accounting treatment applies to earnings and losses on the subsequent valuation.
A terminated operating asset is a component of the group that represents an important autonomous business unit or geographical area of operations or a subsidiary acquired exclusively for purposes of a resale.
An operating asset is classified as terminated at the moment of sale or when the conditions are met for a classification in the category "held for sale", if earlier. A group being divested may also be classified as terminated operating assets.

(v) Earnings per share

The base earnings per share are calculated by dividing the group's results of operations by the weighted average of shares outstanding during the financial year. For purposes of the calculation of the diluted earnings per share, the weighted average of the outstanding shares is modified assuming the conversion of all potential shares having a diluting effect.

2. Agreements for services under concession

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

The Group created its network for the acceptance of bets through the initial acquisition, in 2006, of 450 business units, corresponding to the same number of sports and horse race concessions, for the collection of bets. Subsequently, SNAI purchased additional concessions. Following the creation of such network, the Group took part in tender procedures initiate subsequently by the state authority, thus expanding both the betting acceptance network and the types of games on which to operate in its collection of wagers. By taking part in the tender procedure for the award of rights for the opening of new points of sale, in accordance with the provisions of legislative decree no. 223 of 4 July 2006 (known as the Bersani Law), SNAI was awarded the right to collect wagers for public gaming for horse races and sporting events. In particular: a sports concession comprised of 342 stores and 864 sports corners and one horse race concession comprised of 99 stores and 3,787 horse race corners, reduced following subsequent revocations to, respectively, 94 stores and 2,472 corners. Such calculation was carried out by subtracting from the number of horse racing rights obtained through the Bersani tender (i) 5 horse race store rights and 1305 horse race corner rights that were subject to a cumulative revocation in year 2011 and (ii) 10 horse race corner rights that were revoked in 2012 through rulings issued by AAMS which were not challenged upon a decision made by the top management. Prior to this decision, SNAI had challenged 110 rulings of expiry and/or revocation of horse race corner rights, as better represented in note 28 and this allows us to consider them presently fully owned by SNAI since the hearings on the merits have not yet been held. Moreover, it integrated the two Bersani concessions in order to include the operation of remote games. Subsequently, an autonomous concession for remote gaming for both horse races and sports was awarded, which in July 2012 replaced – from an operating standpoint – the two concessions supplemented to include remote horse racing and sports gaming.
In 2009, the company A.I. Monteverde S.r.l., which has been merged into SNAI, took part in the tender procedure known as Giorgetti – instituted by AAMS for 3,000 rights for horse race stores – securing 303 rights for horse race stores.

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

Owner	Number	Subject matter	Expiry	Notes
SNAI S.p.A.	1 Concession	Realization and operation of the network for the electronic operation of lawful gaming through fun and entertainment devices, provided under article 110, paragraph 6, of T.U.L.P.S., as well as the related operations and functions	December 2011	(1)
SNAI S.p.A.	228 Concessions	Marketing and sale of fixed quota bets on sports events other than horse races and non-sports events	June 2012	(2)
SNAI S.p.A.	100 Concession	Marketing and sale of totalizator and fixed quota on bets on horse races	June 2012	(2)
SNAI S.p.A.	1 Concession Code 4311	Operation of public games based on horse racing, through the activation of distribution networks (horse race stores and/or network of horse race points of sale) and the related operation of the same	June 2016	

SNAI S.p.A.	1 Concession Code 4028	Operation of public games on events other than horse races, through teh activation of distribution networks (sports gaming stores and/or network for sports gaming points) and the related operation of the same	June 2016	
SNAI S.p.A.	1 Concession Code 4801	Joint operation of public horse race games, through the activation of the network of gaming stores and the related operation of the same	June 2016	
SNAI S.p.A.	Concession Code 15215	Operation thorugh the remote collection of wagers for the following public games: a) sports bets; b) horse race bets; c) sports and horse race pool betting; d) national horse race gaming; e) skill games, including tournament card games; f) bingo.	September 2020	

(1) The term will end on the date indicated by AAMS for the execution of the new agreement or until the notification of exclusion from the selection procedure in accordane with the indications provided by AAMS with protocol notice no. 2011/51539/Giochi/ADI del 29/12/2011. On 13 November 2012, SNAI was notified of the AAMS ruling setting forth the final award. On 20 March 2013, the new concession agreement, having a nine year term, was executed.

(2) 'The original expiry was scheduled for 30/06/2012. Art.10 paragraph 9-novies of Legislative Decree No. 16 of 2 March 2012, converted by law no. 44 of 26 April 2012, ordered the continuation of betting acceptance operations until the date of execution of the agreements for access to the concessions awarded under the tender procedure provided under paragraph 9-octies of the same article.

3. Operating sectors

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

The group operates in the following main sectors:
- Betting services;
- Management of racetracks;
- concessions;
- television services.

Specifically, the group's operations have been defined as follows:
- Betting services: this segment includes operations related to electronic services supplied to betting acceptance points; these activities are essentially managed with respect to the potion related to the gaming and betting sector by SNAI S.p.A., Festa S.r.l. and Mac Horse S.r.l. in liquidation until 30 September 2012;
- Management of racetracks: this segment includes operations related to the management of the racetracks, both as regards the management of the real estate property, and the organization of races; such operations are managed by Società Trenno S.r.l., Immobiliare Valcarenga S.r.l. and by SNAI S.p.A. for the real estate sector;
- Concessions: this segment includes operations related to the management of horse race and sports concessions, that have been acquired since 16 March 2006, which SNAI S.p.A. has been awarded through the tender procedure instituted through the Bersani decree and which started to operate towards the end of the second quarter of 2007, and the rights that Agenzia Ippica Monteverde S.r.l. (now merged into SNAI S.p.A.) was awarded through the tender procedure known as "Giorgetti"; as well as the activities related to the concession for the activation and operation of the network for the electronic management of lawful gaming through fun and entertainment devices as well as related operations and functions" (slot machines - AWP and videolotteries - VLT), as well as operations related to skill games, bingo and casino games;
- Television Services: this segment includes operations related to television services; such operations are managed by Teleippica S.r.l..

The following table provides information on the contribution to consolidated figures by the following operations:
- betting/gaming wager collection services and related services called "betting services";
- acceptance of bets at horse racetracks owned by the group and the services related to their operation, called "operation of racetracks";
- the owned horse race and sports concessions, the concession for the electronic network of entertainment devices referred to in art. 110 paragraph 6 of the T.U.L.P.S. (slot machines - AWPs – and videolotteries), as well as operations related to skill games (remote skill games), bingo and casino games, referred to as "concessions";
- radio and tv broadcasting services called "servizi televisivi".".

The sector results include elements attributable to one sector directly and through a reasonable allocation for costs that are common to more than one sector and for indirect costs.
Revenues for the sale of software and technology, those for the set-up of stores and other revenues not included under the four specific areas of operation are not attributed to the main sectors; therefore, the costs related to the above-mentioned revenues, as well as the financial costs and proceeds 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 quota (in which the desk/counter is owned by the concession holder) and totalizator bets (where the desk/counter is owned by the Ministry of Finance), accepted in the PAS (*punti accettazione scommesse* – bet acceptance points) where SNAI is the direct concession holder.

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

	Betting services		Operation of racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
(figures in thousands of Euro)	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011
Sector assets	**3.294**	5.816	**16.212**	10.300	**150.259**	74.876	**11.997**	7.629	**3.986**	3.408	**0**	0	**185.748**	102.029
Tangible and intangible fixed assets	**12.229**	10.307	**107.390**	109.851	**398.852**	433.685	**2.188**	2.154	**31**	49	**0**	0	**520.690**	556.046
Unattributed tangible and intangible fixed assets							**0**	0					**14.363**	17.600
Shareholdings in affiliates	**0**	0	**3.148**	1.696	**0**	0	**0**	0	**162**	163	**0**	0	**3.310**	1.859
Total assets	**15.523**	16.123	**126.750**	121.847	**549.111**	508.561	**14.185**	9.783	**4.179**	3.620	**0**	0	**757.427**	780.759
Liabilities of the sector	**3.605**	4.529	**15.779**	9.704	**516.716**	448.480	**2.410**	6.005	**3.371**	593	**0**	0	**541.881**	469.311
Total liabilities	**3.605**	4.529	**15.779**	9.704	**516.716**	448.480	**2.410**	6.005	**3.371**	593	**0**	0	**593.198**	570.409
Investments:														
Tangible and intangible fixed assets	**95**	191	**1.792**	2.530	**16.050**	5.335	**816**	346	**0**	0	**0**	0	**18.753**	8.402
Unattributable tangbile and intangible fixed assets	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**3.057**	6.521

INCOME STATEMENT BY OPERATING SECTOR														
	Betting services		Operation of racetracks		Concessions		Television Services		Other		Eliminations		Total consdolidated	
(figures in thousands of Euro)	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011	31/12/2012	restated 31/12/2011
Revenues from sector	**15.810**	20.286	**11.746**	18.627	**476.885**	507.321	9.759	11.645	**172**	661	**0**	0	**514.372**	558.540
Inter-sector revenues	**4.743**	3.976	**387**	461	**0**	0	2.242	2.198	**607**	842	**(7.979)**	(7.477)	**0**	0
Results of operations	**5.415**	4.798	**(9.740)**	(4.621)	**(12.431)**	(4.127)	3.275	4.307	**(409)**	(5.417)	**0**	0	**(13.890)**	(5.060)
Quotas of results of operations pertaining to shareholdings	**0**	0	**1.451**	13	**0**	0	0	0	**0**	(17)	**0**	0	**1.451**	(4)
Financial (costs) and proceeds	**(1.502)**	(29)	**(145)**	(294)	**(41.489)**	(39.557)	(32)	68	**(857)**	(306)	**0**	0	**(44.025)**	(40.118)
Income taxes													**13.904**	4.655
Earnings (loss) for the year	**3.913**	4.769	**(8.434)**	(4.902)	**(53.920)**	(43.684)	0	0	**(1.266)**	(5.740)	**0**	0	**(42.560)**	(40.527)
The results of operations include: Amortization and depreciation	**(818)**	(1.908)	**(4.492)**	(4.462)	**(53.638)**	(66.666)	(782)	(1.663)	**(18)**	(69)	**0**	0	**(59.748)**	(74.768)

The difference in the results of operations in the "Betting services" sector is essentially due to:

- lower revenues for service providers as the result of the crisis affecting the horse race sector, the lower revenues generated by sports bets, and the cancellation of several agreements with clients due to the non-renewal of their concession;
- the change in the operation of the Bingo games following the integration of the remote gaming concession, in July 2011, which made possible the direct acceptance on the part of SNAI of Bingo bets, resulting in a transfer of revenues from services to concessions.

The difference in the results of operations for the "Racetracks Management" sector was the result of a reduction in revenues deriving from the group's core business operations due to the national crisis affecting the horse racing sector and the national strike by workers in the horse racing sector, which led to the loss of 13 days of harness races in Milan, in addition to a lower number of meetings scheduled in the 2012 calendar, as well as the fact that fees in favor of Società Trenno S.r.l. for facilities recognized by the former ASSI were cut in half.
The difference in the results of operations for the "Concessions" sector is due to the combined effect of the reduction in revenues from horse race bets, also due to the national strike by the workers in the horse racing sector, the lower wagers placed for sporting events and a higher payout as compared with the previous year, partially offset by higher revenues brought by entertainment devices (ADI), net of the adverse effects caused by the malfunctioning of the Barcrest platform and by on-line games, as well as a reduction in direct costs related to betting and the ADIs. .

Notes on the main items of the total consolidated income statement

The comparison between figures, which are always expressed in thousands of Euro, except in the cases individually and otherwise indicated, is carried out with the corresponding balances for financial year 2011 restated following the early application of revised IAS 19.

4. Revenues from sales of goods and services

The amount of revenues from sales of goods and services in year 2012 amounts to Euro 512,683 thousand, down from Euro 557,401 thousand, and is detailed below:

thousands of Euro	Year 2012	Year 2011	Change
Net revenues from the collection of fixed quota and reference sports and horse race bets	123.928	154.774	(30.846)
Revenues from totalizator, IPN and CPS horse race bets	33.982	47.403	(13.421)
Revenues from Entertainment Devices (ADI)	296.557	288.094	8.463
Net revenues from remote games (Skill/Casinò/Bingo)	22.348	17.334	5.014
Revenues from betting collection services	6.674	8.246	(1.572)
Revenues from third party remote gaming services (GAD)	103	1.181	(1.078)
Revenues from services and assistance agreements	6.826	7.889	(1.063)
Revenues from the operation of betting services at racetracks	6.808	12.810	(6.002)
Operation of racetrack and real estate properties	2.016	2.653	(637)
Revenues from television services and related services	10.551	12.589	(2.038)
Revenues from set-up and sale of technology	107	148	(41)
Altre prestazioni e vendite a terzi	2.783	4.280	(1.497)
Total	**512.683**	**557.401**	**(44.718)**

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

thousands of Euro	Year 2012	Year 2011
Fixed Quota Sports Bets	886.886	889.594
Fixed Quota Sports Winnings and Refunds	(734.018)	(696.945)
Fixed Quota Sport Single Tax	(31.204)	(41.027)
Net Fixed Quota Sports Bets	**121.664**	**151.622**
QF Horse Race Bets and Reference Horse Race Bets	25.894	31.092
QF Horse Race and Reference Horse Race Winnings and Refunds	(20.320)	(24.015)
QF Horse Race and Reference Horse Race Single Tax	(1.089)	(1.291)
Horse Race Withholding	(2.221)	(2.634)
Net Fixed Quota and Reference Horse Race Bets	**2.264**	**3.152**
Total net revenues for fixed quota and reference bets	**123.928**	**154.774**

The decrease in net revenues from sports betting during the year is due mainly to the lower wagers collected and a higher payout as compared with the prior year. In year 2012, the payout on sports betting amounted to approximately 82.7%, up from 78.3% in 2011. Net revenues include the release of the additional taxation on the payout lower than 80%. It should be recalled that for 2011, an additional taxation was applied in the event that the payout was lower than 80% of the wagers collected; over the course of 2012, the rule which imposed such taxation was abrogated, and therefore the amount set aside as of 31 December 2011 was transferred to the income statement in year 2012.

Revenues from horse race bets using the totalizator, national horse racing and betting pools have declined, mainly due to the crisis affecting the horse racing sector which led to 40 days of strikes by Italian horse racing companies at the beginning of 2012; this event led to a contraction in performance and, therefore, in revenues in this sector.
Revenues from the concession for the operation of the entertainment devices network (ADI) were recorded for a total amount of Euro 296,557 thousand in year 2012, are stated on a gross basis, without deducting the fees contractually granted to the operator and the merchant. Such costs are stated in the item costs for services and the use of third party assets in note 7. It should be recalled that the concession holders are required to pay to AAMS an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a security deposit, to secure the achievement of the pre-established service levels. The balance statement includes the amount, of Euro 14,181 thousand, related to the "ADI security deposit" paid in 2012 (see note 20).
The security deposit is returned on an annual basis to the concession holders once the achievement of the service levels is verified. The executive decree 2012/60229/giochi/adi determined the criterion and modalities for the return o the security deposit for year 2012. The Company, based upon the information gathered and the verifications carried out, is of the view that the service levels achieved over the current period will allow for the reimbursement of the security deposit.

On 7 July 2011, the business related to the Casino Games was launched, supplementing the group's remote gaming services; set forth below are details on the item Net revenues from remote games (Skill/Casino/Bingo):

thousands of Euro	Year 2012	Year 2011
Remote games	923.347	528.152
Winnings	(893.112)	(504.172)
Single Tax	(7.887)	(6.646)
Net Revenues from Remote Games (Skill/Casino/Bingo)	**22.348**	**17.334**

The item "Revenues from betting operations at the racetracks" has declined due to the fact that the plants contribution granted by the former ASSI to Società Trenno S.r.l. has been cut in half, and due to the crisis affecting the sector, also due to the national strike of the workers in horse racing categories, which led to 13 days of races at the Milan harness racing track to be missed, which was coupled by a reduction in the number of meetings scheduled in the 2012 calendar (as of 31 December 2012, as compared with 31 December 2011, the calendar envisaged 20 fewer days of races: 17 at the harness racetrack in Milan and 3 at the gallop racetrack in Milan).
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 the former ASSI for the television broadcasting of horse races at the points of acceptance of horse race bets.

5. Other revenues and proceeds

The amount of the other revenues and proceeds amounting to Euro 1,689 thousand (Euro 1,139 thousand) is comprised of the following items:

thousands of Euro	Year 2012	Year 2011	Change
Asset- side rentals and charge-back of ancillary expenses	205	291	(86)
Sale of option right	17	203	(186)
Asset-side settlements	35	90	(55)
Revenues for compensation and reimbursements for damages	147	33	114
Contributions to the former ASSI investment fund	394	0	394
Capital gain from the sale of assets	11	33	(22)
Other revenues and proceeds	880	489	391
Total	**1.689**	**1.139**	**550**

The item "former ASSI investment fund contributions" relates to revenues registered following testing by the Entity's experts, which took place in 2011, in relation to works performed at the racetracks of Milan and Montecatini from 2000 through 2010, and the subsequent definition of the amounts admitted as said contribution. Such revenues have been recorded for accounting purposes in 2012 as contributions to the investments account in accordance with the income method, since the commitment to maintain the encumbrance on use for horse racing operations of the works in question, required by the former ASSI as a condition precedent to the disbursement of the contribution, was signed over the course of 2012.

6. Raw materials and consumables used

The raw materials and consumables used amount to a total of Euro 1,206 thousand (Euro 1,451 thousand in 2011) and refer mainly to materials for the support of the collection of betting, technology and furnishings installed in the new points of sale. The capitalized asses amount to Euro 5,856 thousand (Euro 1,045 thousand as of 31 December 2011).

7. Costs for third party services and the use of third party assets

Costs for third party services and the use of third party assets amount to a total of Euro 389,335 thousand (Euro 409,860 thousand in year 2011) and are detailed below:

thousands of Euro	Year 2012	Year 2011	Change
Betting acceptance operations	92.362	108.018	(15.656)
Entertainment devices services (ADI)	232.468	233.478	(1.010)
Remote gaming operations (Skill/Casino/Bingo)	5.387	5.326	61
Bookmakers	1.751	2.013	(262)
Remote gamig services	3.779	813	2.966
Operation of racetracks	2.250	2.593	(343)
Contributtions from horse race entities	97	227	(130)
Television and radio services	3.015	4.374	(1.359)
Rent of stations	383	376	7
Consultancies and expense reimbursements	7.168	9.095	(1.927)
Utilities and telephone	8.231	8.985	(754)
Assistance and maintenance	9.223	8.375	848
Advertising and promotion	8.225	8.126	99
IT services	3.403	3.834	(431)
Installations, logistics and planning	1.794	1.639	155
Collaborations, occasional and miscellaneous services	405	1.262	(857)
Insurance and bank guarantees	1.657	1.403	254
Market research	618	683	(65)
Information for realization quotas of posters and posters	466	597	(131)
Liabilities-side rent and ancillary expenses	931	1.454	(523)
Operating leases and rentals	808	775	33
Compensation paid to directors	1.551	1.828	(277)
Fees paid to the Auditing Firm	656	584	72
Compensation paid to statutory auditors	268	431	(163)
Fees for the oversight body and other committees	149	84	65
Reimbursemenet of directors' and statutory auditors' expenses	46	66	(20)
Other	2.244	3.421	(1.177)
Total	**389.335**	**409.860**	**(20.525)**

The following should be noted:

- fees for the operation of bet collection operations of Euro 92,362 thousand (Euro 108,018 thousand in year 2011) granted to the operators of horse race and sports stores and corners, the decrease with respect to the previous year is due to the lower revenues achieved on sports and horse race betting, as well as the new modality for the remuneration of the network for the promotion and dissemination of remote gaming: such costs in 2012 were included in the item Remote gaming services while in 2011 they were classified in the item management of the acceptance of bets;
- costs for ADI services (for a total of Euro 232,468 thousand down from Euro 233,478 thousand in 2011) which include fees paid to third parties engaged to collect wagers and the costs for the VLT platforms;
- costs related to the operation of remote games (Skill, Casino and Bingo) amounting to Euro 5,387 thousand (up from Euro 5,326 thousand), consisting mainly of the cost of gaming platforms and the operation of on-line poker tournaments;

The item "other" includes mainly: surveillance/security services for the movement of cash/valuables, cleaning services, postal and shipping expenses, waste disposal services and the management of company vehicles.

8. Costs of personnel

The cost of personnel amounts to a total of Euro 33,840 thousand in 2012, up from Euro 33,336 thousand in year 2011, with an increase of Euro 504 thousand (+1.51%) due mainly to a new system of bonuses introduced in 2012 envisaged for executives, mid-level managers, white collar employees who are function heads to be paid over the coming months, plus increases in pay and leaving incentives disbursed to executives who left the group in 2012.

thousands of Euro	Year 2012	Year 2011	Change
Salaries and stipends	23.370	23.348	22
Corporate costs	6.802	6.891	(89)
Allocation to provisions for defined benefits/contribution plans	1.550	1.473	77
Costs for personnel training	81	58	23
Reimbursement of expenses to employees	522	454	68
Meal tickets for the company cafeteria	757	735	22
Free gifts for employees	56	51	5
Other personnel costs	702	326	376
Total	**33.840**	**33.336**	**504**

The item "allocations set aside for benefits/defined contribution plans" also includes the effects on the income statement deriving from the valuation of TFR pursuant to IAS 19.

The personnel at the end of the financial year is illustrated in the following table, which shows an increase of 24 units with respect to 31 December 2011, due mainly to the stabilization, by direct hiring, of personnel who had previously been employed under fixed term agreements and the implementation of the "core business" structures.

	31.12.2011		Hrings in the year	Departures during the year	31.12.2012		Averages for the year
Executives	21		5	6	20		19
White Collar Employees and Mid-level Managers	594		129	90	633		651
Blue collar workers	92		3	17	78		89
Total Employees	707	*	137	113	731	**	759

* of whom 163 are part-time and 14 are on maternity leave

** of whom 153 are part-time and 15 are on maternity leave

9. Other operating costs

Other operating costs amount to a total of Euro 33,697 thousand in year 2012 (Euro 39,937 in year 2011).

thousands of Euro	Year 2012	Year 2011	Change
Concessions and licenses	15.812	14.496	1.316
% of VAT non-deductibility	5.259	6.670	(1.411)
Allocations set aside for receivabels write-downs	8.093	11.907	(3.814)
Losses on receivables	398	1.177	(779)
Use of the provisions for the writedown of receivables and risks	(207)	(249)	42
Allocations set aside for risks provisions	162	769	(607)
Representation expenses	194	281	(87)
Contributions to associations	184	614	(430)
Other taxes	487	481	6
IMU (real estate tax)	1.171	478	693
Stationery, consumables and promotional materials	508	354	154
Environmental and health controls	47	52	(5)
Liabilities-side settlements	433	537	(104)
Capital losses from the sale of assets	419	1.491	(1.072)
Other administrative and operating costs	737	879	(142)
Total	**33.697**	**39.937**	**(6.240)**

The item concessions and licenses includes, inter alia:

- the concession installment for lawful gaming through entertainment devices (ADI) in the amount of Euro 8,505 thousand, calculated in the amount of 0.30% of volumes played/waged and paid to AAMS on a bimonthly basis;
- the concession installment for the marketing and sale of fixed quota bets on sports events, other than horse races, and on non-sports events pursuant to art. 4 of the agreement approved through Executive Decree 2006/22503 dated 30/06/06 and for the marketing and sale of public games Concessions for " the operation of horse race and sports bets" on rights awarded under the 2006 tender procedure (known as the Bersani Rights) and on the rights awarded under the 2"8 tender procedure (known as Giorgetti Rights), as provided under the respective concessions, in the amount of Euro 6,248 thousand;
- the concession installment for the operation of remote public games, as provided under the related concession, in the amount of Euro 666 thousand;
- the installment due for television operations in the amount of Euro 352 thousand.

In 2012, an allocation was set aside to the receivables write-down provisions in the amount of Euro 8,093 thousand in order to align with their recoverable value receivables that arose in prior financial years in connection with the Group's core business operations and which showed, over the course of the year, growing difficulties with regard to their collection.

In year 2012, an allocation was set aside to the risks provisions for technological adjustments in the amount of Euro 162 thousand, of which Euro 133 thousand was provided under art.19 of the AWP Concession.

The item "% of non-deductibility for VAT purposes", equal to Euro 5,259 thousand, is due to the distinct types of operations conducted by SNAI S.p.A., Festa S.r.l. and by Società Trenno S.r.l., which generate, in part, the revenues for taxable services for VAT purposes and in part revenues exempt from VAT, having a consequent effect on the non-deductibility of VAT on purchases.
The companies SNAI S.p.A., Festa S.r.l. and Società Trenno S.r.l. have opted for separate operations for VAT purposes; this choice means that, for purchases related to the operations that generate taxable transactions, VAT is entirely deductible, while that on purchases related to operations that generate exempt transactions is entirely non-deducible.
As regards the tax 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 financial year of the operations which produce taxable revenues to which it refers; in such regard, the cost of non-deductible VAT has been calculated by determining specific allocation criteria.

10. Costs for capitalized internal works

Costs for capitalized internal works, amounting to a total of Euro 1,096 thousand (Euro 765 thousand) are essentially related to software generated internally for:

- IT systems supporting the Business lines (Business Intelligence)
- centralized systems for the operation of Bingo OnLine
- reporting systems and systems for the operation of the Business (Control Room)
- centralized systems and peripheral terminals for the acceptance of bets
- centralized systems for the management of contacts with AAMS and client invoicing services for entertainment devices
- centralized systems, gaming interfaces and integration protocols for the collection of remote gaming wagers through SnaiCards
- networking solutions supporting the Business lines
- development and reinforcement of the company ERP
- centralized and peripheral systems for the operation of additional services at points of sale
- centralized systems and web interfaces for the integration and sale of games known as Skill games (tournament poker, cash poker, casino games, slot games)
- web-based solutions for information for the Operator, knowledge base, handbooks, how-to, integration with the system for the opening of requests for intervention and sourcing of consumables (SnaiPartner)
- viewing systems for the point of sale (new graphics pages, Live bets, HD pages)
- centralized systems for the management of contacts with AAMS, reporting, client services (VLT).

11. Amortizations and write-downs

Amortizations and write-downs amount to a total of Euro 59,748 thousand for year 2012 (Euro 74,768 thousand), as detailed below:

thousands of Euro	Year 2.012	Year 2.011	Change
Amortization of intangible fixed assets	38.779	43.526	(4.747)
Amortization of tangible fixed assets	20.413	21.747	(1.334)
Write-downs	556	9.495	(8.939)
Total	**59.748**	**74.768**	**(15.020)**

For further details on the item amortizations and write-downs, reference is made to the notes on tangible and intangible assets no. 14 and no. 15.

12. Financial costs and proceeds

Net costs amount to Euro 42,574 thousand, up Euro 2,452 thousand over the re-stated 2011 figure, as detailed below:

thousands of Euro	Year 2012	Re-stated year 2011	Change
Proceeds and costs from shareholdings			
Appreciation /(depreciation) Alfea S.p.A.	(151)	26	(177)
Appreciation/(depreciation) Hippogroup Roma Capannelle S.p.A.	1.603	(13)	1.616
Appreciation/(depreciation) SNAI Imel S.p.A.	0	(19)	19
Appreciation /(depreciation) shareholding in Connext S.r.l.	(1)	2	(3)
	1.451	**(4)**	**1.455**

Financial proceeds			
Earned interest from former subsidiaries SNAI Servizi S.p.A.	0	384	(384)
Earnings on exchanges	4	4	0
Earned interest on bank accounts	619	649	(30)
Miscellaneous earned interest	379	1.194	(815)
	1.002	**2.231**	**(1.229)**
Financial costs			
Bank expenses	795	587	208
Miscellaneous interest payable	341	743	(402)
Losses on exchanges	15	14	1
Fees on bank guarantees	2.851	2.693	158
Interest payable on bank accounts	245	701	(456)
Interest payable and ancillary costs on leasings	5.115	5.826	(711)
Interest payable on loans	22.686	25.564	(2.878)
Financial costs from calculating the present value of debts	98	644	(546)
Other financial costs	12.881	5.577	7.304
	45.027	**42.349**	**2.678**
Total	**(42.574)**	**(40.122)**	**(2.452)**

The item financial proceeds indicates the earned interest accrued on the bank accounts in the amount of Euro 619 thousand and the miscellaneous earned interest of Euro 379 thousand mainly calculated on payment extensions agreed on trade receivables.

Noteworthy components of financial costs include:

- costs calculated in accordance with the amortized cost method provided under IAS 39, applying the method of the actual interest rate on loans (for further details on loans, reference is made to note 27) in the total amount of Euro 22,686 thousand, of which Euro 3,628 thousand is attributable to ancillary costs;
- interest payable calculated on financial leasings in the amount of Euro 1,763 thousand on leasings for Euro 3,352 thousand, including non-deductible VAT;
- other financial costs, including Euro 2,519 thousand for fees on loans, Euro 7,006 thousand for the exercise of the Market Flex clause due to the failure to syndicate the loan agreement and Euro 3,346 thousand for differentials on derivative hedging contracts.

For further details on the items in place vis-à-vis the companies belonging to the group, reference is made to note 33 "Related Parties".

13. Imposte sul reddito

Current income taxes, including IRES and IRAP of the fully consolidated companies, as well as the taxes paid in advance and deferred taxes recorded in year 2012, are a positive component in the amount of Euro 13,904 thousand.

thousands of Euro	Year 2012	Re-stated Year 2011
IRES	0	1.144
IRAP	1.039	1.769
Deferred tax liabilities	5.632	5.336
Use of provisions for deferred tax liabilities	(2.648)	(2.772)
Taxes paid in advance	(18.428)	(16.092)
Use of credit for taxes paid in advance	1.890	2.566
IRES/IRAP for past years	(1.389)	0
PVC Taxes	0	3.394
Total	**(13.904)**	**(4.655)**

The following table indicates the reconciliation between the IRES and IRAP tax burden set forth in the financial statement for year 2012 and the theoretical tax burden (in thousands of Euro):

		Year 2012		Re-stated year 2011
Before tax earnings		(56.465)		(45.182)
Theoretical IRES tax burden	*27,50%*	15.528	*27,50%*	12.425
Theoretical IRAP tax burden	*4,20%*	2.372	*4,20%*	1.898
Totale theoretical tax Recovery/(Cost)		**17.899**		**14.323**
Fines, Sanctions and other Taxes		(355)		(229)
Write-down of Shareholding		(1.478)		(907)
Other permanent non-deductible costs		(2.740)		(746)
Non-taxable dividends		25		575
Other permanent deductions		1.952		99
		15.303		**13.115**
Permanent differences in Irap (including personnel)		(2.788)		(5.066)
		12.515		**8.049**
Taxes and duties for past years		1.389		(3.394)
Actual tax recovery /(cost)	*-24,62%*	**13.904**	*-10,30%*	**4.655**

For further details on the effects deriving from the tax burden and the tax consolidation regime, reference is made to the details set forth in note 17 "Taxes paid in advance and deferred taxes" of these explanatory notes. For purposes of direct and indirect taxes, year 2007 has already been settled.

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

Notes on the main items of the consolidated balance sheet

The comparison between figures, which are always expressed in thousands of Euro, except in the circumstances otherwise and individually indicated, is made with the corresponding balances as of 31 December 2011, re-stated following the early application of the revised IAS 19.

14. Tangible fixed assets

The amount of tangible fixed assets as of 31 December 2012 is Euro 152,113 thousand (Euro 157,033 thousand). The changes in the financial year are due to the combined effect of the amortization for the financial year of Euro 20,413 thousand, investments of Euro 16,540 thousand, write-downs of Euro 397 thousand and divestments/sales, net of the amortization provisions, in the amount of Euro 650 thousand.

In thousands of Euro	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Fixed assets in progress and down payments	Total
Cost						
Balance as of 31 December 2011	**137.229**	**146.498**	**7.157**	**21.123**	**7**	**312.014**
Recassifications	0	22	(13)	(2)	(7)	0
Other increases	1.544	11.671	60	3.264	1	16.540
Decreases	(1)	(2.357)	(5)	(1.170)	0	(3.533)
Balance as of 31 December 2012	**138.772**	**155.834**	**7.199**	**23.215**	**1**	**325.021**
Amortization and losses in value						
Balance as of 31 December 2011	**27.739**	**110.365**	**6.469**	**10.408**	**0**	**154.981**
Amortization for the year	2.981	14.877	206	2.349		20.413
Writed-downs		0		397		397
Divestments	(1)	(2.162)	(5)	(715)		(2.883)
Reclassifications	0	5	0	(5)	0	0
Balance as of 31 December 2012	**30.719**	**123.085**	**6.670**	**12.434**	**0**	**172.908**
Book values						
As of 31 December 2011	109.490	36.133	688	10.715	7	157.033
As of 31 December 2012	108.053	32.749	529	10.781	1	152.113

The owner plants and machinery include electricity, water, fire prevention, air conditioning systems, as well as interventions for adaptation of the same to regulations, electronic machines, and technology for connections to the network of the central systems.

Increases as of 31 December 2012, in the amount of Euro 16,540 thousand refer mainly to the following:

- the item Land and Buildings in the amount of Euro 1,544 thousand, related mainly to interventions for consolidation and improvement of structural works, stables and the gallop racetrack;
- the item plants and machinery in the amount of Euro 11,671 related to: as for Euro 943 thousand, electro-thermal/heating and electricity systems/plants, as for Euro 4,474 thousand, technology delivered under a gratuitous loan to the points of sale, as for Euro 193 thousand, televising systems, as for 491 thousand, radio links and broadcasting links, as for Euro 876 thousand, the cost of acquisition of instrumental assets (servers, printers, PCs and monitors) and other plants/systems and equipment for the conducting the operations of the companies belonging to the Group;
- the item commercial and industrial equipment in the amount of Euro 60 thousand related to the purchases of equipment for the racetracks of Milan and related operations;
- the item other assets in the amount of Euro 3,264 thousand, related to: as for Euro 2,440 thousand, furnishings delivered under a gratuitous loan to the points of sale, as for Euro 204 thousand, furnishings for directly operated stores and as for Euro 620 thousand, furnishings of the company offices.

The write-downs as of 31 December 2012, amounting to Euro 397 thousand, refer to the write-down of furnishings removed from stores that have closed.

Financial costs have not been capitalized in tangible fixed assets, since the Group does not have any qualifying assets, as defined under IAS 23.

Leasing

The Group has entered into leasing agreements for the use of certain plants, machines and equipment which will end at various expiry dates through June 2016.These agreements include redemption and/or extension clauses.

The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a historic cost of Euro 3,506 thousand, of which Euro 387 thousand relates to land and an amortization provision, as of 31 December 2012, of Euro 795 thousand.

The following table sets forth the minimum future installments of the financial leasings:

thousands of Euro	Total
total commitment as of 31.12.2012	16.717
of which	
Installments falling due within 12 months	11.163
Instalments falling due between 1 and 5 years	5.554
Installments falling due beyond 5 years	-
Redemption	958

The installments falling due under the operating leases do not present significant amounts.

15. Intangible fixed assets

Intangible fixed assets as of 31 December 2012 amount to Euro 382,940 thousand (Euro 416,613 thousand), changes over the financial year are due to the combined effect of amortization for the financial year of Euro 38,779 thousand, write-downs of Euro 159 thousand, divestments of Euro 4 thousand and investments of Euro 5,269 thousand.

thousands of Euro	Goodwill	Concessions licenses, trademarkst and similar rights	Industrial patent rights and the use of copyrights	Other	Fixed assets in progress	Total
Cost						
Balance as of 31 December 2011	**231.605**	**381.088**	**13.381**	**11.948**	**41.495**	**679.517**
Reclassifications		26.907	8	35	(26.950)	0
Other increases		1	951	1.554	2.763	5.269
Decreases	0	(11.394)	(198)	(356)	0	(11.948)
Balance as of 31 December 2012	**231.605**	**396.602**	**14.142**	**13.181**	**17.308**	**672.838**
Amortization and losses in value						
Balance as of 31 December 2011	**74**	**244.196**	**11.599**	**7.035**	**0**	**262.904**
Amortization for the year		36.826	301	1.652		38.779
Writedowns		0	0	159		159
Divestments		(11.394)	(194)	(356)		(11.944)
Reclassifications			0			0
Balance as of 31 December 2012	**74**	**269.628**	**11.706**	**8.490**	**0**	**289.898**
Book values						
As of 31 December 2011	231.531	136.892	1.782	4.913	41.495	416.613
As of 31 December 2012	231.531	126.974	2.436	4.691	17.308	382.940

The investments of Euro 5,269 thousand are mainly related to the following:

- The item "industrial patent rights and the use of copyrights" in the amount of Euro 951 thousand, of which Euro 245 thousand amounts to SIEM licenses for VLTs, Euro 134 thousand for SPSS predictive marketing analysis systems, Euro 195 thousand for licenses for office automation systems, Euro 57 thousand for the management of optical recognition and Euro 231 thousand for Licenses for Financial and Control operations programs;

- The item "other" in the amount of Euro 1,554 thousand, related to long-term costs incurred for the implementation of software programs of which Euro 199 thousand relates to production systems, Euro 258 thousand relates to the implementation of administrative, finance and control software, and Euro 1,076 thousand relates to software produced internally (for further details, see note 10);
- The item "fixed assets in progress" in the amount of Euro 2,763 thousand, of which Euro 2,444 relates to the one-time/lump sum fee paid in December 2012 in connection with AWP devices for which SNAI S.p.A. has requested issuance of the clearance (as provided under the draft agreement for the new AWP-VLT concession) and Euro 277 thousand for costs related to software generated internally and not completed.

Following the revocation by the competent French Authorities of the concession to the company SNAI France for the acceptance of remote sports bets, the capitalized costs for software produced internally (Euro 159 thousand) have been written down.

Intangible fixed assets include rights acquired for the VLTs in the amount of Euro 14,540 thousand, related to gaming devices not yet tested by AAMS.

Financial costs have not been capitalized in intangible fixed assets since the Group does not have qualifying assets, as defined under IAS 23.

The goodwill in existence of Euro 231,531 thousand, is allocated to the following cash flow generating units (CGU):

- Euro 219,951 thousand to the Concessions CGU, of which Euro 219,241 was generated by the acquisition of concessions business units starting on 16 March 2006 and Euro 710 thousand was generated from the aggregation for the purchase of the shareholding in Agenzia Ippica Monteverde S.r.l." (now merged into SNAI S.p.A.). Such CGU is represented by the operations related to the concession for the entrusting of the activation and operation of the network for the electronic operation of lawful gaming through fun and entertainment devices, and the related assets and functions" (slot machines - AWPs and videolotteries - VLTs), as well as operations related to skill games, bingo and casino games;
- Euro 11,137 thousand to the Betting Services CGU, contributed by SNAI Servizi Spazio Gioco S.r.l., merged into SNAI S.p.A. in 2002, consisting of the operations relate dot the electronic services supplied to the betting acceptance points;
- Euro 443 thousand contributed by Teleippica S.r.l. and referring to the Television Services CGU, consisting in the operations related to television services.

In accordance with international accounting standards, and in particular IAS 36, goodwill is subjected, on an annual basis, to an analysis for purposes of verifying any losses in value (impairment tests). In the event that such test shows a loss of value, the Group is required to register a write-down in the financial statement.

For the Group, such verification is based upon a comparison between the recoverable value of the CGUs in which the goodwill is registered and the book value of the same. In this case, the type of value used in order to determine the recoverable value of the CGUs to which the goodwill is allocated is the use value, estimated on the basis of the expected cash flows and on their present value calculated by applying an appropriate discount rate. In particular, the estimate of the value of use has been carried out by taking the present value of the operating cash flows of the CGUs at an interest rate equal to the weighted average of the cost of capital (WACC).

The analyses conducted for purposes of the verification of the book value of goodwill concerned the Services CGU, the Concessions CGU and the Television Services CGU.

The cash flows for years 2013-2015 of the Services CGU, the Concessions CGU and the Television Services CGU have been prepared on the basis of the assumptions/forecasts set forth in the 2013 budget and the strategic guidelines for years 2014-2015, prepared for purposes of the financial statement valuations. The recoverable value was estimated as the sum of the present value of cash flows for the explicit forecast period and the expected remaining value beyond such timeline (terminal value). For purposes of the calculation of the remaining value, a normalized cash flow has been considered, that was extrapolated from the last year of the explicit forecast (2015) and to which an annual growth rate ("g") of 0.5% has been applied. The terminal value also takes into account the necessary outlays on a periodic basis in order to renew the concessions.

The WACC (Weighted Average Cost of Capital) used to calculated the cash flows was considered equal to 8.25% (in line with the value used last year).

The analyses performed have led to a recoverable value of cash flow generating units that is higher than the book value. Sensitivity analyses have also been conducted in order to verify the effects on the results of the impairment test of the change in a number of parameters considered significant/meaningful.

In particular, let us point out that the excess in the value of use of the Concessions CGU over the book (including the relevant goodwill) of Euro 225.4 million becomes nil upon the occurrence, alternatively, of the following changes in the assumptions used for purposes of the test: (i) 2.7 percent increase in payout per year, with respect to the figure assumed under the budget (ii) 2.4 percentage point increase in the discount rate; (iii) a final nominal growth rate that is negative by -2%. Lastly, let us point out that the excess in value remains positive even if we assume, with all other conditions remaining equal, that the nine-year concessions are renewed only until 2027.

With regard to the Services GCU, the excess in the value of use over the book value (including the related goodwill) of Euro 29.5 million becomes nil with a 20.3 percent increase in the discount rate. No changes have been envisaged in the assumptions underlying cash flows since such figure has never incurred significant changes and have always been in line with forecasts, since they are based upon long-standing contractual relationships.

With regard to the Television Services CGU, the excess in the value of use over the book value (including the related book value) of Euro 5 million becomes nil with a 3.6 percent increase in the discount rate. No changes have been envisaged in the assumptions underlying cash flows since such figure has never incurred significant changes and have always been in line with forecasts, since they are based upon long-standing contractual relationships.

With regard to the valuation of the value of use of the above-mentioned CGUs, the directors are of the view that a change in the above-mentioned key assumptions of such a nature as to produce a book value that is lower than the recoverable value the same is unlikely to occur.

Based upon the results of the impairment test, the Group has not applied any write-down to the above-mentioned value of goodwill, since no loss of value was found.

16. Shareholdings

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

	Value in accounting statement as of	**Value in accounting statement as of**	**Percentage of holding**	
thousands of Euro	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Affiliates and subsidiaries that are not fully consolidated				
- Hippogroup Roma Capannelle S.p.A.	1.789	186	27,78	27,78
- Alfea S.p.A. A15	1.359	1.510	30,7	30,7
- Connext S.r.l.	63	64	25	25
- Solar S.A.	53	53	30	30
- Teseo S.r.l. in liquidation	0	0	70	70
Total shareholdings assessed using the net equity method	**3.264**	**1.813**		
Other				
- Tivu + S.p.A. in liquidation	0	0	19,5	19,5
- Lexorfin S.r.l. A18	46	46	2,44	2,44
Total shareholdings in other companies	**46**	**46**		

The change in the value of the shareholding in the affiliate Hippogroup Roma Capannelle S.p.A. was due to the investment being adjusted to bring it into line with the amount for net shareholders' equity indicated by the draft financial statements for 2012. The financial statements as at and for the year ended 31 December 2011 were approved at the shareholders' meeting of 5 July 2012, and accordingly in the consolidated financial statements as at and for the year ended 31 December 2011, Hippogroup Roma Capannelle S.p.A. was valued using the figure for net shareholders' equity as at 31 December 2010.

In its 2011 accounts, Hippogroup Roma Capannelle S.p.A. showed a profit of Euro 7,867 thousand, and net shareholders' equity of Euro 8,538 thousand. That result, which gave rise to the remeasurement of the investment, was due to the successful conclusion on 22 December 2011 of the proposed composition, which provided, briefly, for a significant decrease in the licence fee, and the payment to privileged creditors of 100 percent, and to unsecured creditors of 25 percent, of their total claims, in four annual instalments ending in 2014. Accordingly, a net contingent asset of approximately Euro 9.6 million was recognised in the 2011 income statement arising out of the write-off of the liabilities to unsecured creditors, which resulted in a marked increase to the affiliate's equity as at 31 December 2011.

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

17. Deferred taxes assets and deferred tax liabilities

The aggregate amount of the temporary differences and tax losses carried forward are set forth in the following tables, together with the theoretical amount of deferred tax assets and liabilities, and the amounts in the consolidated accounts.

Temporary differences	Amount	Rate	Tax effect	Rgistered amounts paid in advance	Period of transfer
Tax provisions for receivables write-downs	40.814	27,50%	11.224	11.224	2013 and following years
Risks provisions	16.659	27,5%-31,7%	5.264	5.264	2013 and following years
Provisions for the write-down of inventory	291	31,70%	92	92	2013 and following years
Write-down of shareholdings with deferred deductibility	-	33,00%	-	-	2015 and following years
Difference between balance sheet value and tax value of goodwill	-	37,30%	-	-	2016 and following years
Difference between balance sheet value and tax value of tangible and intangible fixed assets	6.747	31,70%	2.113	2.113	2013 and following years
Interest Rate Swap	9.406	27,50%	2.587	2.587	2013 and following years
Other temporary differences	39.207	27,5% - 31,7%	10.781	10.781	2013 and following years
Total	**113.124**		**32.061**	**32.061**	

Prior tax losses eligible for being carried forward	Amount	Rate	Tax effect	Registered benefits	Usable by
SNAI S.p.A.:					
year 2008	17.895	27,50%	4.921	4.921	eligible for being carried forward indefinitely
year 2009	10.200	27,50%	2.805	2.805	eligible for being carried forward indefinitely
year 2010	29.060	27,50%	7.992	7.992	eligible for being carried forward indefinitely
year 2011	27.186	27,50%	7.476	7.476	eligible for being carried forward indefinitely
year 2012	31.359	27,50%	8.624	8.624	eligible for being carried forward indefinitely
Total prior losses	**115.700**		**31.818**	**31.818**	

Total taxes paid in advance				**63.879**	

The following table sets forth the changes in deferred tax assets.

	31.12.2011	allocation set asside	uses	31.12.2012
Credit for taxes paid in advance	45.132	20.488	(1.741)	63.879

On 31 December 2012, the Directors of SNAI S.p.A. confirmed their assessment as to the recoverability of the deferred tax assets that had arisen out of the temporary differences between the book values and the tax values of the relevant assets and liabilities, and as to the tax losses arising out of the national tax consolidation.
The aforementioned recoverability is founded upon the forecasts of future positive results made in the Group's business plans.

The Group is showing deferred tax assets and deferred tax liabilities which when netted amount to deferred tax assets of Euro 15,729 thousand (that amount being net of deferred tax liabilities, as at 31 December 2011, of Euro 36 thousand).
In particular, deferred tax assets of Euro 8,624 thousand have been recognised on the tax loss arising out of the tax consolidation (with the aggregate credit on the tax losses amounting to Euro 31,818).
The difference between the book values and the tax values of tangible and intangible assets, of Euro 6,747 thousand, with a tax effect of Euro 2,113 thousand, is principally related to finance leases entered into in the years up to and including 2007 (Euro 5,447 thousand, with a tax effect of Euro 1,727 thousand).
"Other temporary differences" of Euro 39,207 thousand, with a tax effect of Euro 10,781 thousand, principally related to interest expense that was not deducted pursuant to article 96 of the Consolidated Law on Income Taxation (Euro 37,861 thousand, with a tax effect of Euro 10,412 thousand).

In June 2012, the Company, as parent of the group, again opted for domestic tax consolidation pursuant to articles 117 *et seq*. of Presidential Decree No. 917/1986 for the three years ending 2014. The following companies participated in that consolidation, companies consolidated by the Company: Festa S.r.l.; Mac Horse S.r.l, in liquidation (struck off the register on the course of the financial year); Immobiliare Valcarenga S.r.l.; and Teleippica S.r.l, the latter participating in the fiscal consolidation with effect from the 2012 tax year. Società Trenno S.r.l. has also been participating in the tax consolidation since the 2007 tax year, and the option for the 2010-2012 period is currently effective for that company.
Tax consolidation may have some beneficial effects upon the Group's tax burden, including the immediate availability for use, in whole or in part, of the tax losses of companies participating in the consolidation, reducing the income of other consolidated companies; and the ability to recover interest expense that has not been deducted by the consolidated companies where there exists excess gross operating income of the other companies taking part in the tax consolidation.
SNAI S.p.A., as parent for the purposes of the consolidation, is obliged to pay the balancing and advance amounts of IRES corporation tax that are payable on the basis of the consolidated companies' income declarations.
Under the agreements in place, the payment of taxes on taxable income that is transferred to the parent takes place through setoff with credits for advance payments, sums withheld at source, tax deductions or by other means, and for any amounts that are not offset, by the Company's settlement within 90 days of requests that it receives from a consolidated company.
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.

The consolidated companies remain liable for the taxes to the Treasury in the event that a greater tax amount is assessed to SNAI S.p.A. on the basis of errors in the calculation of the tax amount as communicated by the consolidated companies.
Finally, SNAI S.p.A., as parent in the tax consolidation, and Società Trenno S.p.A. (now merged by incorporation into the former) opted for infragroup transfers to be treated neutrally, pursuant to article 123 of the Consolidated Law of Income Taxation, in relation to the transfer by Società Trenno to SNAI of the racetrack in Milan, San Siro, and of the racetrack in Montecatini Terme, both of which took place in March 2006.

As a result, the Group has benefitted from the sterilization of the capital gain for tax purposes that arose as a result of that transfer, of approximately Euro 32 million. Naturally, that neutral treatment will not apply in the event of any subsequent transfer that is not made under such a neutral treatment, or if domestic tax consolidation is not renewed or otherwise ceases.

Deferred tax liabilities have been calculated in relation to those properties, following transition to IAS/IFRS, as set out in greater detail below.

Temporary differences	Amount	Rate	Tax effect	Deferred
Tax amortization of goodwill	(10.945)	31,70%	(3.344)	(3.344)
Severance Indemnity (TFR)	(11)	27,50%	(3)	(3)
Tax amortization of goodwill of business units	(100.243)	31,70%	(31.039)	(31.039)
Difference between balance sheet value and tax value of tangible fixed assets	(43.354)	31,70%	(13.680)	(13.680)
Other temporary differences	(306)	31,7% - 27,5%	(84)	(84)
Total deferred taxes	(154.859)		(48.150)	(48.150)

Set forth below are the changes in the provisions for deferred taxes:

	31.12.2011	allocations set aside	uses	31.12.2012
Provisions for deferred taxes	45.168	5.630	(2.648)	48.150

The Directors of SNAI S.p.A. decided to recognise the deferred taxes generated by all the temporary differences between book values and tax values of the relevant assets and liabilities. In particular, business divisions that were acquired have been recognised as business aggregations, applying the acquisition method under IFRS 3.
The Company has accordingly recognised the identifiable assets and liabilities acquired and assumed in the acquisition at their acquisition-date fair value, and thus recognised goodwill only after having allocated the acquisition cost as described above. The value of concession rights recognised in the accounts following acquisition of business divisions that were the subject of concessions in 2006 has been determined in accordance with the requirements of IFRS 3, and thus differs from

the amounts stated in the purchase agreements. The amortization in the accounts thus differs from the fiscal amortization pursuant to article 103, paragraph 2, of Presidential Decree 917/1986, which gives rise to deferred tax liabilities, nonetheless completely released in the course of the financial year, as the concessions acquired reached the end of their useful lives. What is colloquially known as the "twin-track" approach applies only to the acquisitions that took place in the years prior to the 2008 tax year. Acquisitions that took place thereafter are subject to the "derivation" principle introduced by the 2008 Budget, and accordingly, the book value is the same as the tax value.
Goodwill is not amortised but subject to an annual impairment test, while its amortization for tax purposes is governed by article 103, paragraph 3, of Presidential Decree 917/1986, which gives rise to deferred tax liabilities.
The difference between the book value and the tax value of tangible assets, of Euro 43,354 thousand, with tax effects of Euro 13,680 thousand, principally related to the properties previously owned by Società Trenno, in Milan San Siro and Montecatini Terme (Euro 39,146 thousand, with tax effect of Euro 12,409 thousand).

18. Inventories

This item increased by Euro 629 thousand, compared with 31 December 2011. Its composition is set forth in the following table.

thousands of Euro	31.12.2012	31.12.2011	Change
Raw materials	250	288	(38)
Semi-finished goods	80	83	(3)
Finished products/goods	3.054	2.384	670
Total	**3.384**	**2.755**	**629**

The value of inventories is shown net of the provisions for the write-down of inventories, which, as at 31 December 2012, amounted to Euro 291 thousand (compared with Euro 287 thousand as at 31 December 2011). The following table sets forth changes in the provisions for the write-down of inventories.

	31.12.2011	allocations set aside	uses	31.12.2012
Inventory write-down provisions				
Raw materials	78		(1)	77
Semi-finished goods	3			3
Finished products/goods	206	5		211
Total	**287**	**5**	**(1)**	**291**

19. Trade receivables

Trade receivables comprised the following:

(in thousands of Euros)	31.12.2012	31.12.2011	Change
Trade receivables			
- owed by clients	101.960	90.249	11.711
- owed by former ASSI	26.736	14.543	12.193
- owed by stables, jockeys and bookies	529	686	(157)
- owed by the controlling company Global Games S.p.A.	6	4	2
- actual assets at collection and in portfolio	965	4.108	(3.143)
- receivables write-down provisions	(38.359)	(33.199)	(5.160)
Total	**91.837**	**76.391**	**15.446**

Trade receivables included the balances as at 31 December 2012 due from operators for accepting bets (Bets and ADIs), net of the compensation due to those operators.
Trade receivables also included matters that have been passed to the legal advisor of SNAI S.p.A., in the amount of Euro 44,496 thousand (compared to Euro 39,511 thousand as at 31 December 2011).

The amount receivable from former ASSI, of Euro 26,736 thousand, included:

- Euro 16,471 thousand related to 2012 invoices that remain outstanding, and the amount receivable related to the financial years 2009-2012, related to grants for the adaptation of the city racetracks;
- Euro 10,265 thousand, related to the agreement made by Teleippica S.r.l. for transport services, the processing and transmission of video and audio signals from domestic and foreign racetracks, and the production and transmission of the Unire Blu channel for use in betting venues serving the domestic horse racing market; daily presentation and broadcast of programmes, and other connected services.

The provisions for the write-down of trade receivables were calculated taking into consideration the amount of receivables that were doubtful, in light of the debtors' specific conditions and any security that had been provided towards the companies of the group, and also an appropriate assessment of the possibility of recovering overdue receivables, and of on-going disputes, as set out in reports from the legal advisors. In light of the signature guarantees obtained from debtors, the provisions were considered by the Directors to be appropriate for meeting foreseeable future losses on receivables.

The changes in the provisions for the write-down of trade receivables are set forth in the following table.

thousands of euro	Written down individually	Written down collectively	Total
As of 01 January 2011	**19.282**	**1.596**	**20.878**
Alllocations set aside for the year	11.382	580	11.962
Reclassifications	2.395	2	2.397
Use of provisions	(1.769)	(269)	(2.038)
As of 31 December 2011	**31.290**	**1.909**	**33.199**
Allocation set aside for the year	6.569	254	6.823
Reclassifications	1.265	(1.103)	162
Use of provisions	(1.618)	(207)	(1.825)
As of 31 December 2012	**37.506**	**853**	**38.359**

As at 31 December 2012, trade receivables that were overdue but not yet impaired could be broken down as set forth in the following table.

			Overdue but not written down		
thousands of Euro	**Total**	**Not overdue -in good standing**	**0-90 days**	**90-180 days**	**>180 days**
Total 2012	91.837	33.591	22.094	8.635	27.517
Total 2011	76.391	45.617	19.463	1.952	9.358

20. Other assets

Other non-current assets, which are classified among the other non-financial assets, were as set forth in the following table.

(in thousands of Euros)	**31.12.2012**	**31.12.2011**	**Change**
Other non-financial assets			
Tax credits			
- owed by revenues office for tax refund	62	62	0
- owed by revenues office for taxes under dispute	73	73	0
- owed by revenues office for IRAP refund	24	24	0
- owed by revenues office for taxes on assets	54	54	0
	213	**213**	**0**
Receivables owed by others:			
- asset-side security deposits	1.584	508	1.076
	1.584	**508**	**1.076**
Receivables owed by clients:			
- assets/valuables in portfolio	544	745	(201)
	544	**745**	**(201)**
Total other non-financial assets	**2.341**	**1.466**	**875**

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

The other current assets were as set forth in the following table.

(in thousands of Euros)	31.12.2012	31.12.2011	Change
Other current assets			
Tax credits:			
- owed by revenues agency for IRES down payment /credit	1.284	1.987	(703)
- owed by revenues agency for IRAP down payment/credit	1.446	1.692	(246)
- other receivables owed by the revenues agency	188	240	(52)
	2.918	**3.919**	**(1.001)**
Reveivables owed by others:			
- ADI security deposit	14.181	11.792	2.389
- Advance on AAMS concession installment	988	1.796	(808)
- Receivables owed by AAMS for winnings on pool betting and National Horse Races	81	255	(174)
- Remote gaming security deposit (Skill/Bingo)	336	414	(78)
- Receivables for Skill Games	180	76	104
- Other receivables owed by bet acceptance points (PAS)	135	133	2
- receivables for AAMS positions related to purchases of business units	296	296	0
- receivables owed by AAMS in connection with Di Majo Award	9.940	13.816	(3.876)
- receivables for payment of PREU interest and sanctions that were not due	2.114	1.490	624
- TIVU+ S.p.A. in liquidation	0	478	(478)
- Receivables for the reimbursement of fees on bank guarantees	48	469	(421)
-Receivables owed by Bluline electronic purse	226	226	0
- Social security entities	144	78	66
- Miscellaneous receivables	2.128	1.821	307
- Provisions for write-down of receivables owed by others	(2.196)	(2.799)	603
	28.601	**30.341**	**(1.740)**
Asset-side accruals and deferrals			
- accrued income	16	16	0
- prepaid expenses	4.829	4.695	134
	4.845	**4.711**	**134**
Total other current assets	**36.364**	**38.971**	**(2.607)**

The ADI entertainment devices deposit, in the amount of Euro 14,181 thousand (Euro 11,792 thousand as at 31 December 2011) was 0.5 percent of the gaming revenues generated by fun and entertainment devices (AWP and VLT devices) in 2012, as more particularly described in Note 4, Revenues from sales of goods and services. The deposit for 2011 was collected during 2012, based upon the service parameters that had been achieved.
The item, Advance of concession fees, which amounted to Euro 988 thousand, includes the increased amounts advanced to AAMS for 2012 in relation to the concession fees for racing and sports betting. Payments due for 2013 will reflect the offsetting of that credit, for further details of which please see Note 9.

The item, Amounts receivable from AAMS under the Di Majo arbitral award, regarded certain amounts receivable as compensation by operators and third-party concession holders from AAMS under the Di Majo award which were assigned to SNAI in December 2011 and June 2012. Once there is agreement among the majority of participants in the award, SNAI S.p.A. will act on behalf of the concession holders in handling the compensation that AAMS is to pay. That was the reason the parent company purchased the receivables, which will be paid only to the extent that AAMS pays out on all of the compensation amounts. Indeed, recognised among the other liabilities was the liability towards the persons who assigned their claims (Note 29). Beginning on 5 August 2012, the Company began to make setoffs between the liabilities for the collection of bets, due every two weeks (the "former ASSI fifteen-day payments") and the amounts receivable by the horse race concession holders from AAMS under the di Majo award, purchased by the Company in December 2011 and June 2012. As the agreements between the Company and the transferors provide, SNAI has offset overdue trade receivables from those horse race concession holders against the claims and/or paid residual amounts onto escrow accounts (see note 21).

The changes in the provisions for the write-down of receivables are set forth in the following table.

thousands of Euro	*individually*	*total*
As of 01 January 2011	2.555	2.555
Allocations set aside for the year	809	809
Reclassifications	42	42
Use of provisions	(607)	(607)
As of 31 December 2011	2.799	2.799
Allocations set aside in during the year	353	353
Reclassifications	(162)	(162)
Use of provisions	(794)	(794)
As of 31 December 2012	2.196	2.196

Prepaid expenses included, in particular:

- Euro 4,032 thousand (compared to Euro 4,321 thousand as at 31 December 2011), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for fun and entertainment devices;
- Euro 797 thousand (compared to Euro 374 thousand as at 31 December 2011), principally related to costs of maintenance and assistance contracts, etc, that have not yet accrued.

21. Current financial assets

The current financial assets were as set forth in the following table.

thousands of Euro	**31.12.2012**	**31.12.2011**	**Change**
Current financial assets			
Dedicated bank accounts	7	256	(249)
Escrow accounts and unavailable bank balances	10.241	0	10.241
Shares in former Società Fiorentina Corse Cavalli for exchange	1	1	0
Total current financial assets	**10.249**	**257**	**9.992**

The decrease in the dedicated bank accounts was due to payments made over the course of 2012 of debts and reimbursements in connection with the financing transaction.
The escrow accounts were opened by the Company in order to manage the sums arising out of the setoff between the amounts receivable from AAMS under the Di Majo award, and the liabilities for the collection of bets, due every two weeks (the "former ASSI fortnightly payments"). For further details of this, please refer to Note 20. Such escrow accounts were being used pending the issue of the conclusive court order in the litigation pending between the horse race concession holders, the Finance Ministry, and the Ministry of Agriculture.

At the hearing of 14 December 2012, the Court of Appeal of Rome without the lawsuit for judgment, and assigned to the parties the procedural deadlines to submit their final briefs/conclusions.
The unavailable sums held in bank accounts related to amounts temporarily unavailable due to enforcement actions undertaken by others. Such amounts include different attachments notified on the basis of a single enforcement action, taken against a number of different accounts.
Escrow accounts and unavailable sums held in bank accounts were not included in the Net Financial Position (see Note 38).

22. Cash and cash equivalents

Cash and cash equivalents are set forth in the following table.

thousands of Euro	31.12.2012	31.12.2011	Change
Bank accounts	10.789	39.952	(29.163)
Postal bank accounts	17	8	9
Cash and valuables in coffers	204	322	(118)
Available liquidity	**11.010**	**40.282**	**(29.272)**
Bank overdrafts	0	0	0
Net cash and cash equivalents	**11.010**	**40.282**	**(29.272)**

23. Net shareholders' equity

The share capital of the parent company, SNAI S.p.A., as at 31 December 2012, entirely subscribed and fully paid, amounted to Euro 60,748,992.20 (the same amount as at 31 December 2011), and comprised 116,824,985 ordinary shares (the same number as at 31 December 2011).
Ordinary shareholders are entitled to receive such dividends as are resolved upon from time to time, and have one vote in the company's shareholders' meetings for each share they hold.

number of authorized shares	116.824.985
number of shares issued and entirely paid in	116.824.985
nominal value per share in Euro	0,52

The number of shares and the share capital is unchanged compared to 31 December 2011.
All of the issued shares are ordinary shares.
The parent company SNAI S.p.A. does not hold treasury shares directly or through any subsidiaries or affiliates.

Reserves
Legal reserve
The legal reserve amounted to Euro 1,559 thousand.

Share premium account
The share premium account, of Euro 154,345 thousand, was established with the share capital increase resolved upon on 14 September 2006, and completed on 15 January 2007. The amount of that increase, of Euro 219,535 thousand, has been reduced by the associated charges, net of the tax effect related to the increase of Euro 8,216 thousand, in line with IAS 32. Euro 15,415 thousand of the amount was used to make up the loss in the 2010 financial year, as resolved by the shareholders' meeting of 29 April 2011; and Euro 41,559 thousand to make up the loss of the 2011 financial year and the losses carried forward of Euro 1,032 thousand, as resolved by the shareholders' meeting of 27 April 2012.

Cash Flow Hedge reserve
The cash flow hedge reserve was negative by Euro 6,820 thousand, and consisted of derivatives being taken directly to equity (see Note 34).

Measurement provisions for defined-benefit plans (IAS 19)
The provisions for the measurement of defined-benefit plans, a negative amount of Euro 508 thousand, resulted from the taking to equity of actuarial profits/losses.

Profits (losses) carried forward
Profits (losses) carried forward amounted to losses of Euro 2,536 thousand.

Minority interests
As at 31 December 2012, minority interests were nil, in that none of the subsidiaries consolidated on a line-by-line basis were partly held by minorities.

24. Other components of the consolidated income statement

The other components of the consolidated income statement consisted of the taking of derivatives directly to equity, in the consolidated cash flow hedge reserve (for further details of which, please refer to Notes 27 and 34), and the early application of IAS 19, Employee benefits (for further details, please refer to Accounting standards not yet in force and applied in advance).

The following table sets forth the other components of the income statement.

Other components of the total net income statement

		Year 2012	Restated year 2011
Derivative instruments for hedging:			
Adjustment to cash flow hedge reserve		(3.931)	(5.468)
Tax effect		1.081	1.505
	(a)	**(2.850)**	**(3.963)**
Remeasurement of defined benefits plans for employees (IAS 19):			
Actuarial earnings (losses)		(981)	280
Tax effect		270	(77)
	(b)	**(711)**	**203**
Total earnings (loss) for financial year (a+b)		**(3.561)**	**(3.760)**

25. Profit (loss) per share

Basic profit per share

The calculation of the basic profit/loss per share for the year ended 31 December 2012 was made taking into consideration the loss attributable to ordinary shareholders, of Euro 42,560 thousand (for the year ended 31 December 2011, restated: Euro 40,527 thousand); and the weighted average number of ordinary shares outstanding in the course of the financial year ended 31 December 2012 (for the year ended 31 December 2011: 116,824,985 shares).

The calculation was made in the following manner:

in thousands	31.12.2012	Restated 31.12.2011
Earnings (loss) attributable to holders of ordinary shares = earnings for financial year of the group (a)	(42.560)	(40.527)
Average weighted number of ordinary shares /1000 (b)	116.824,99	116.824,99
Earnings (loss) per base share (a/b)	**(0,35)**	**(0,35)**

Had the Group not adopted the revised IAS 19 in advance, the loss per share would have been Euro 0.35 and Euro 0.37 for 2011 and 2012, respectively.

Diluted profit (loss) per share

The diluted profit (loss) per share is the same as the basic profit (loss) per share, as no financial instruments with potentially dilutive effects have been issued.

26. Post-employment benefits

The post-employment benefits funds amounted as at 31 December 2012 to Euro 5,190 thousand, compared to Euro 5,033 thousand as at 31 December 2011.

The following table sets forth detailed information on changes in the funds.

thousands of Euro	
Balance as of 01.01.2012	**5.033**
Allocation set aside	78
Use	(1.108)
Financial costs	210
actuarial losses/(Earnings)	977
Balance as of 31.12.2012	**5.190**

Post-employment benefits funds are defined-benefit plans accounted for under 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 departure, and discounting that liability on the basis of an assumption as to the timings of their departures calculated using actuarial methods.

The principal assumptions that were made are summarised in the following table.

Summary of Economic Technical Bases

Financal assumptions		
Annual discount rate		2,70%
Annual inflation rate		2,00%
Rate of increase in severance indemnity (TFR)		3,00%
Annual rate of increase in salaries	Executives:	1%
	White collar employees:	1%
	Blue Collar Workers:	1%

Summary of Technical Demographic Bases

Demographic assumptions	
Death	RG48 mortality tables published by the General Accounting Office of the State
Invalidity	INPS tables by age and gender
Pension	100% achievement of requisites General Mandatory Insurance

Table of annual frequency of Turnover and Advances on TFR

Company	**Advances**	**Turnover**
SNAI S.p.A.	2,50%	4,00%
Teleippica S.r.l.	1,00%	9,00%
Società Trenno S.r.l.	2,00%	1,50%
Festa S.r.l.	1,50%	8,50%

27. Financial liabilities

The financial liabilities were as set forth in the following table.

thousands of Euro	**31.12.2012**	**31.12.2011**	**Change**
Non-current financial liabilities			
Secured loans granted by banks	328.866	259.337	69.529
Debts for financial leasings	6.164	16.277	(10.113)
Debt owed to PAS for the purchase of horse race and sports betting Concessions business units	0	118	(118)
Interest rate SWAP	9.406	5.475	3.931
Total other non-current liabilities	**344.436**	**281.207**	**63.229**
Current financial liabilities			
Current quotas of long-term loans granted by banks	16.100	75.750	(59.650)
Secured loans granted by banks	9.000	0	9.000
Debts for financial leasings	9.902	19.633	(9.731)

Debts owed to banks	1.038	17.412	(16.374)
Debts owed to banks for automatic debits that have not yet fallen due	0	243	(243)
Debt owed to PAS for the purchase of horse race and sports Concessions business units	155	365	(210)
Debt for the purchase of shareholdings	0	291	(291)
Total current financial liabilities	**36.195**	**113.694**	**(77.499)**

Financial liabilities included, in particular:

- the loan entered into on 29 March 2011 (described below), was measured at its aggregate amortized cost of Euro 353,966 thousand, based on its nominal amount of Euro 368,850 thousand, and stated net of directly related charges. Those related charges included the professional fees connected with the completion of the loan, and the tax charges payable upon the loan's its assumption, which amounted to Euro 23,510 thousand, of which the part charged to the income statement during 2012 was Euro 3,628 thousand. As at 30 September 2012, the amount of Euro 70,000 thousand related to the Bridge to Disposal facility was reclassified among non-current financial liabilities, as set forth in the table below.
- financial liabilities for finance lease contracts, in aggregate Euro 16,066 thousand, essentially regarded the remaining liabilities under contracts for the purchase of a building in Porcari, Lucca, and of technologies for use in bet acceptance points, as described in more detail in Note 14, Tangible assets.
- the residual liabilities to bet acceptance points (PAS), of Euro 155 thousand, deriving from purchases of business divisions, concessions (vendor loans), and the final instalment of deferred payments which fell due in June 2013.
- the recognition, at fair value as at 31 December 2012, of two interest rate hedging agreements for a notional amount of Euro 300 million made in August 2011 with two leading financial institutions, which came into effect on 31 December 2011 and expire on 31 December 2015, as described in greater detail in Note 34. The execution of interest rate hedging contracts was anticipated under the terms of the loan taken out in March 2011, in relation to a part thereof.

The non-current financial liabilities include a nominal amount of Euro 218,286 thousand maturing more than five years out.

Following agreements reached on 8 March 2011 between the Company, Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., the Company entered into a medium- to long-term facility agreement comprising a number of different credit facilities, with an initial aggregate amount of Euro 490 million. The transaction was subject to the completion of the acquisition by Global Games S.p.A. of a majority shareholding in SNAI S.p.A. that was previously owned by SNAI Servizi S.p.A.
The credit facilities under the facility agreement are remunerated at Euribor, defined and determined as provided therein, to which is added a spread that is generally between 4.50 percent and 5.25 percent, p.a., and which may be subject to adjustments through the Margin Ratchet provided for therein, and the market flex clause included as part of the syndication strategy. The Company in fact agreed to syndication provisions for the facility agreements under which the original lenders are entitled to bring new lenders into the syndicate. On 30 September 2013, the Company obtained an extension to the syndication period, to 31 October 2012. On that latter date, the extension ended, and the facility agreement had not been successfully syndicated. As the syndication rules had not been satisfied, in accordance with the contractual terms the Lenders exercised their rights under the Market Flex provisions, which led to an additional charge in an amount of Euro 7.01 million, which was paid on 9 November 2012.

<u>The facilities are summarised in the following table.</u>

figures in thousands of Euro

Facility	Amount of loan	Term	Interest period	Maturity	Repayment modalities	Drawdowns/Repayments	
						Date	Amount
Facility A	115.000	6 years from the xecution date of the agreement	3 months	29/03/2017	Amortizing (12 rate semestrali a partire dal 31 dicembre 2011)	40.631	115.000
						40.908	(1.150)
						41.089	(1.150)
						41.271	(4.600)
							108.100
Facility B	135.000	7 years from the execution date of the agreement	3 months	29/03/2018	Bullet	40.631	135.000
Capex facility	80.000	7 years from the execution date of	3 months	29/03/2018	Amortizing (9 rate semestrali a partire dal 30 giugno 2014)	40.631	11.750

		the agreement				40.661	23.000
						40.997	3.000
						41.142	9.000
							46.750
Disposal facility	70.000	7 years and 6 months from the execution date of the agreement (extension made in September 2012)	6 months	28/09/2018	Bullet	40.631	70.000
Revolving facility	30.000	6 years from the execution date of the agrement	1, 3 oro 6 months	29/03/2017	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.	41.222	9.000
Total	**430.000**			**Drawdowns and repayments as of**		**31/12/2012**	**368.850**

The Acquisition Facility of Euro 60 million, which had brought the total amount of loans granted to Euro 490 million, was extinguished in November 2012, as it had not been used within the agreed period.

The facility agreement's terms require, *inter alia*, compliance with the Financial Covenants specified therein, on dates from 31 December 2011. The Financial Covenants regard, *inter alia*, EBITDA, net debt, and investments. The calculations made with respect to compliance with the covenants as at 31 December 2012 did not indicate any contravention of their terms. For further details, please see Note 38.1, below.

28. Provisions for future risks and charges, litigation and contingent liabilities

SNAI is party to proceedings in the civil and administrative courts, and other legal actions, connected with its ordinary course of business. On the basis of the information currently available, and taking into consideration the existing provisions for risks, SNAI considers that those proceedings and actions will not result in material adverse effects upon the consolidated financial statements. The following table sets forth a summary of the most significant proceedings. Except as indicated otherwise, no provision has been made in relation to the disputes described below where SNAI considers an unfavourable outcome in the proceedings to be merely possible, not probable, or where such a provision's amount cannot be reliably estimated.

As at 31 December 2012, the provisions risks and charges amounted to Euro 25,136 thousand. Details of the amounts, and changes thereto, are set forth in the following table.

thousands of Euro	Technical renewals	Tax disputes, civil disputes and contractual risks	Total
Balance as of 31 December 2011	**2.554**	**13.014**	**15.568**
Allocations set aside during the year	162	11.529	11.691
Net uses during the year	0	(2.123)	(2.123)
Balance as of 31 December 2012	**2.716**	**22.420**	**25.136**

Technological Renewals

The provisions for technological renewals comprised:

- Euro 2,536 thousand of periodical provisions made for technological updates, as provided by article 19 of the Description of Duties under the concession for the activation and operation of the network for the remote management of gambling through entertainment and fun devices, and operations and functions associated therewith, from the date on which the concession began. The contractual provisions provide that in each financial year, the provisions are increased by Euro 10 for every approval that is issued and active at the end of the financial year; and
- Euro 180 thousand, based upon an estimate of costs to be incurred in technological updates to gaming terminals.

Tax disputes, civil disputes and contractual risks
The provisions for risks related to tax disputes, civil disputes and contractual risks includes the aggregate estimate required to address risks in the resolution of disputes with third parties, including any regarding taxes, duties and social security, of Euro 22,420 thousand.

The provision of Euro 11,691 thousand made in the period regarded:

- Euro 3,351 thousand, in relation to risks of PREU interest and sanctions;
- Euro 1,470 thousand, estimated in relation to excess quota fixing penalties sought by AAMS for 2011;
- Euro 2,049 thousand, by way of recalculation of interest and sanctions estimated in connection with late payment of the unified tax in previous years;
- Euro 1,475 thousand, estimated in relation to AAMS contractual penalties, in connection with the malfunction of the Barcrest platform;
- Euro 425 thousand related to disputes with employees and consultants; and
- Euro 2,921 thousand related to miscellaneous risks and litigation.

Euro 2,123 thousand was used from the provisions in the period, of which Euro 1,536 thousand related to the resolution of the notice of tax assessment for 2010, which had been commenced on 11 July 2011 by the Regional Directorate of the Revenues Agency in Tuscany, Monitoring, Disputes and Collection sector – Major Taxpayers office. The partial tax examination regarded the proper application of withholding taxes in the 2009 and 2010 tax years, pursuant to articles 26 et seq. of Presidential Decree 600/1973, on interest paid on the senior and junior borrowing facilities (with Solar S.A. and Unicredit Banca d'Impresa S.p.A.) that were in place at the time. The examination was subsequently extended also to the 2011 tax year.
The examination resulted from an extension of the review that had been made of the tax years 2006, 2007 and 2008, which was completed on 1 December 2009 with the delivery of the notice of assessment, and resolved on 15 October 2010 by completion of a settlement covering all claims arising out of the observations contained therein (and that liability, payable in instalments, is included among the tax liabilities, please refer to Note 29).
In relation to the 2011 tax year, SNAI has agreed to settle the amounts the Directorate will indicate, applying the same criteria as for 2009 and 2010, as soon as the computerised procedure allows their determination. Euro 376 thousand was set aside in connection with the 2011 tax year, under the financial statements as at and for the year ended 31 December 2011.

Disputes related to the entertainment device business: allegations from the Court of Auditors and AAMS of breaches in the management of the remote network

In its capacity as concession holder for the management of the remote network for entertainment devices, in June 2007 SNAI received an invitation from the Regional Prosecution Service of the Lazio Court of Auditors, that it submit arguments regarding an investigation into a supposed loss of tax revenues resulting from only some of the machines being correctly connected to the national network that AAMS uses in calculating PREU. The supposed loss of tax revenues amounted to Euro 4.8 billion, all of which comprised penalties for the alleged breach by the concession holder of the service levels for which the concession provided.

Also in June 2007, AAMS issued contractual penalty notices in the amount of Euro 20 million, against SNAI.
Along with other concession holders, SNAI took the matter before the Supreme Court, claiming the Court of Auditors had no jurisdiction over the matter.
The company also applied to the Regional Administrative Court against the AAMS decisions.
At a hearing of 4 December 2008, the Lazio Court of Auditors' Jurisdictional Section ordered suspension of the proceedings pending the ruling by the Supreme Court.
The Supreme Court, sitting as a Unified Bench, ruled that a claim for a loss of tax revenues could be brought under the same action as a claim for contractual liability (a matter for AAMS and the administrative courts), but the decision did nothing to diminish the ambiguity of the original claim for a loss of tax revenues, which in our legal advisors' view means the claim before the Court of Auditors is now void, based on recent changes in secondary legislation.

It should be added that the loss claimed is highly doubtful, as it cannot be shown to be related to the concession holders' conduct.

In any event, the Court of Auditors' proceedings restarted following the decision by the Supreme Court, and on 24 March 2010 the Company was served a statement of claim by the regional prosecution service of the Court of Auditors, which provided for a hearing on 11 October 2010. The hearing ended after a few hours of argument with the prosecution, with all of the proceedings withheld for judgment. SNAI's counsel presented comprehensive arguments against all of the allegations, and the Court of Auditors withheld the proceedings for judgment.
The decision reached by the Court of Auditors at that time was for the preparation of expert evidence by DIGIT-PA, with bilateral participation on the part of the parties and the prosecutors, and assigning the deadline of 11 August 2011 for the filing of preparatory documents, which deadline was subsequently extended to the end of September. DIGIT-PA filed its expert evidence on 30 September 2011. The Company filed its own expert evidence on 27 October 2011.
At a hearing of 24 November 2011, submissions were made by counsel for both the concession holders and AAMS executives, in response to those by the prosecution, who – the defendants learned only at the beginning of the hearing, and only because one of the judges mentioned the fact – had filed additional documentary evidence on 22 March 2011. There

followed a request by counsel for the concession holders for a delay in order that they may consider the newly-discovered evidence, given that it had remained concealed, given the repeated declarations that no more evidence would be produced by the prosecution service. The President of the Court was unwavering in opposition to an adjournment, and oral submissions were made with a note that it was not accepted that the defendants had had the opportunity to respond to the evidence. SNAI's counsel argued that the defendants could not be found guilty, because such a verdict would necessarily be defective if it were based upon evidence entered by the prosecution on 22 March 2011. Aside from this incident, the defendants' counsel were fully able to argue in support of the other defenses, both regarding the fairness of the hearing (inadequate, in SNAI's view, as the prosecution had merely notified SOGEI and brought no specific claim against it), and the other inadequacies in the prosecution's arguments.
On the substance of the claim, SNAI argued that there had been no inadequacy in the service, that no sanctions could be imposed other than the contractual penalties for which the Council of State had jurisdiction (and which had repeatedly found such penalties not to be justified), and finally, that there were no grounds for asserting gross negligence.
Upon the arguments' conclusion, the Court considered its decision.
Under Judgment No. 214/2012, published on 17 February 2012, it found against all of the concession holders involved. SNAI was ordered to pay an amount of Euro 210 million (including currency adjustments), and court interest from the date of the order, by way of compensation for the alleged loss of tax revenues consequent to the Company's alleged breach of the service levels required under the concession.
On 11 May 2012, SNAI appealed Judgment No. 214/2012 on a variety of different grounds. Such an appeal in any event means the judgment's enforceability is suspended.
In light of the considerations made and the legal advice received, the Directors take the view that the risk that the Company lose the appeal may be considered not more than possible, and in any case for amounts that are very likely to be much reduced relative to those set out in the judgment.
On this basis, no provisions have been made other than the amount estimated by way of legal costs.
An unsuccessful outcome to the appeal, and a failure to reduce the amount of the sanction, would have an effect upon the Group's ability to continue as a going concern.

The parallel action brought by SNAI and other concession holders in order to establish that the statement of claim is void, because of conflict with article 17, paragraph 30-ter, of Law Decree 78/2009, is currently pending upon appeal.

With reference to the decisions by AAMS, the Regional Administrative Court has already ruled on the contractual penalties imposed by AAMS in June 2007, first suspending their application, and then ordering their cancellation by Judgment No. 2728 of 1 April 2008, now *res judicata*. In relation to a first group of three allegations – regarding an alleged delay in start-up, activation, and operation of the network – AAMS again sought to impose the penalties, under notices with references 33992/Giochi/UD of 2 September 2008, 38109/Giochi/UD of 1 October 2008, and 40216/Giochi/UD of 16 October 2008, an aggregate amount of over Euro 2 million against SNAI, which has challenged these decisions before the Regional Administrative Court in Lazio.

Judgment No. 12245/2009, issued by the Regional Administrative Court in Lazio, which dismissed that second appeal, in a similar manner to the appeals from the other nine concession holders, was appealed by SNAI. The appeal hearing was held on 20 May 2012, and by its Judgment 2192/2012 of 16 April 2012, the Council of State upheld the appeal, and voided the notices under which the first three penalties were issued.
On 23 June 2012, the Company was served notice that SOGEI S.p.A. was bringing a third-party appeal of Judgment No. 2192/2012. SNAI intends to give notice of appearance in the proceedings within an appropriate period, which it will determine as soon as a hearing date is fixed.

By a notice, ref. 2011/6303/Giochi/ADI of 22 February 2011, AAMS formally restarted the procedure for the application of the fourth penalty, related to the alleged breach of the Gateway's service level in the period from July 2005 to March 2008, when an additional agreement abolished its future provision.

Based upon the information and criteria compiled by the Technical Commission, and in compliance with the annual maximum introduced by the most recent contractual changes, AAMS imposed the penalty upon SNAI in an amount of Euro 8,480,745 (reduced to Euro 7,463,991.85 to comply with the ceiling for the year 2005, should the Council of State uphold the first three penalties).
After gaining partial access to the computer data obtained to SOGEI S.p.A., SNAI set out detailed arguments in writing on 8 June 2011, both procedural and substantive, regarding the reliability and accuracy of the allegations, and reserved its rights to investigate further once it had had complete access.
On 28 September 2011, it gained further access, with respect to information on interrogation of the devices via the access gateway.
The information obtained was the subject of an expert report by Prof Listanti, which formed the basis for the preparation of supplementary pleadings, filed with AAMS on 27 October 2011.

By a notice, No. 2012/7455/Giochi/ADI, of 17 February 2012, received on 27 February 2012, AAMS imposed a penalty upon SNAI under article 27.3(b) of the concession agreement, and section 2 of Appendix 3, in an aggregate amount of Euro 8,408,513.86.
On 27 April 2012, SNAI notified that it would be challenging the AAMS notice in the administrative courts, seeking its cancellation and, in the interim, its suspension.
On 24 May 2012, the Second Section of the Regional Administrative Court of Lazio suspended the decision applying the fourth penalty, fixing a hearing date on the substantive issues of 20 February 2013.

On 20 February 2013, the hearing was held, and the court adjourned.

Based upon the above, and the advice of its legal advisors, the Group considers the provisions for risks that it has made, of Euro 2.2 million, appropriate to covering liabilities related to claims from AAMS that could arise from current and future legal proceedings.

Disputes related to the entertainment device business: provisions for PREU risks

The Company has received a number of notices from AAMS alleging breaches in terms of failure to make payment of PREU for the years of network operation, from 2004 to 2009. The following paragraphs set out the most recent developments, organized on a chronological basis, by the year in which each complaint was raised.

On 8 January 2009, AAMS – the Regional Office for Tuscany and Umbria, Florence, notified SNAI of the findings it had obtained from automatic controls of payment of the Unified State Tax (*PREU*) in relation to 2004 and 2005, which had showed errors and deficiencies, which were promptly notified on 6 February 2009. AAMS wrote on 25 June 2009 that as a result of its observations, the errors and deficiencies identified had been taken into consideration. A further review by AAMS resulted in a further notice, dated 25 June 2009, claiming PREU of Euro 729 thousand, interest of Euro 451 thousand, and ordinary sanctions of Euro 11,780 thousand, which, reduced to one-sixth, would amount to Euro 1,963 thousand. 2
On 29 July 2009, application was made for payment by instalments, in the manner indicated by the notice, and AAMS accepted that application on 30 July 2009. On the same day, the Company duly made payment of the first instalment. At the same time, on 30 July 2009 an appeal was filed before the Regional Administrative Court in Lazio against the notice. A similar mechanism was applied for the PREU for 2006, in relation to which AAMS demanded tax in the amount of Euro 243 thousand, interest of Euro 151 thousand, and reduced sanctions in the amount of Euro 556 thousand, in relation to which payment by instalments over a number of years has been agreed. On the basis of legal advice specific thereto, the Company considers that there are reasonable grounds for considering that the appeal contesting the notice will be successful, which would mean, in particular, the removal of the claims applying interest and fines, to which the Company has prudentially agreed, with the benefit of deferred payment.
Consequent to the above, the Company has placed the tax requested for the years 2004-2006 among its other liabilities, and made a suitable provision to its provisions for risks to meet any liabilities related to any sanctions that may result from the on-going legal disputes.
On 30 December 2009, AAMS indicated a sum that SNAI could pay by way of "amicable" settlement of the PREU due for 2007. The amount requested was approximately Euro 2.8 million by way of PREU, and Euro 300 thousand by way of sanctions and interest. On 2 February 2010, SNAI responded, offering substantive arguments, in particular with respect to AAMS's calculations. The Company pointed out errors and inadequacies in the observations set forth in AAMS's notice, and quantified the amounts due as, for PREU, Euro 646 thousand, and overall, Euro 765 thousand, by way of PREU, interest and sanctions. That amount was admitted for payment in 20 quarterly instalments, with the first on 2 August 2010 and the last on 1 June 2015. The amount thus payable was recognised among liabilities, to which please refer for further details; and the provisions were used in the same amount.

On 16 December 2010, AAMS indicated a further sum that SNAI could pay by way of "amicable" settlement in relation to 2008, which amounted to Euro 127 thousand by way of PREU, and Euro 149 thousand by way of sanctions and interest. The Company has made observations and comments in relation thereto. On 30 June 2011, SNAI received the definitive demand for PREU 2008, which amounted to Euro 183 thousand in total (Euro 45 thousand by way of PREU, Euro 105 thousand of sanctions, and Euro 33 thousand of interest). On 22 July 2011, SNAI made payment of the whole of that amount.
On 5 January 2012, AAMS indicated another amicable settlement for 2009 PREU, which amounted to Euro 64,137.09 by way of PREU, Euro 20,486.38 by way of interest, and Euro 339,222.69 by way of sanctions, to which SNAI responded on 2 February 2012. On 25 June 2012, SNAI received the definitive demand in relation to 2009 PREU, in the amount of Euro 137,907.91 (Euro 25,394.40 of PREU, Euro 5,227.96 of interest, and Euro 107,285.55 of sanctions). That amount, which had previously been set aside in the provisions for risks as at 31 December 2011, was reclassified in 2012 among the liabilities, following an agreement on payment by instalments.
On 2 January 2013, AAMS made another offer of amicable settlement for 2010 PREU, with, on the one hand, a credit for SNAI by way of overpayment of PREU of Euro 21,947.21, and on the other, reduced sanctions of Euro 2,933,107.07 and interest of Euro 478,809.97 for delay in payment.
On 31 January 2013, SNAI made its submissions with a view to obtaining revision of the calculations set out in that notice.
The Directors have made an appropriate provision for risks in the accounts for the year ended 31 December 2012 to cover those liabilities.

Disputes related to the entertainment device business: proceedings "for rendering of account" initiated by the Substitute i Prosecutor before the Court of Auditors and consequent judgment

In April 2010, the regional prosecution service at the Court of Auditors notified SNAI and other gaming concession holders of a claim under article 46 of Royal Decree No. 1214/1934, and an application under article 41 of Royal Decree No. 1038/1933, imposing an account, on the basis of an alleged failure to present a "court account" in relation to the cash flows from the management of gaming activities, as network concession holder.

By a decree of the President of the Lazio regional section of the Court of Auditors, a further application was made for an account to be rendered, establishing a deadline. Under a statement of defense, SNAI contested its treatment, as it did not

handle public money as it was an entity liable for PREU. On 27 April 2010, the regional prosecution service issued a notice against SNAI for its failure to render an account. At a hearing of 7 October 2010 on the sanction sought by the prosecution service for alleged delay in producing an account, the Court heard arguments from the prosecution and the defense, by SNAI and other concession holders that were similarly involved in the proceedings.
Counsel gave detailed arguments as to the substantial lack of grounds for the prosecution's demands, and considered that the Court might consider requests for release from liability for delay, given that manner in which accounts were rendered by electronic communication of the material data to Sogei S.p.A., replacing the rules that had governed those who had "handled" public money, which dated back to 1862.

At the hearing of 7 October 2010, by its Judgment No. 2186/2010, the Court of Auditors rejected the prosecution service's application in its entirety, finding that AAMS had been responsible for the absence of the court account within the statutory period. On 11 March 2011, SNAI was served notice of appeal by the prosecution.
It appears, in the view of the Company's legal advisors, that the grounds of the appeal may be reasonably surmounted, and on that basis defense arguments were prepared for a hearing date of 13 March 2013, at which time the matter was deferred to 18 December 2013.
Again, on the basis of the advice from the Company's legal advisors, the risk of losing the dispute may be classified as not probable, and accordingly, the Directors have only made provision for the estimated legal expenses associated with the defense.

In addition to the proceedings on the rendering of accounts, proceedings began in 2012 examining the precision of the account submitted by the rapporteur appointed by the Court's President. At the hearing of 17 January 2013, the rapporteur referred, in support of their report, to an opinion provided to AAMS by the United Sections of the Court of Auditors, regarding the new form of court accounting, and the Court adjourned to 16 may 2013, placing copies of that opinion at the disposal of the parties.
Again, on the basis of the advice from the Company's legal advisors, the risk of losing the dispute may be classified as not probable, and accordingly, the Directors have only made provision for the estimated legal expenses associated with the defense.

Malfunction of the VLT Barcrest platform (16 April 2012)

On 16 April 2012, one of the VLT platforms that the Company used at the time, the Barcrest system, showed an anomalous peak of "jackpot" pay-out requests for tickets that were only superficially winning tickets, of various nominal amounts, both within the regulatory limit of Euro 500,000 and also for some far greater amounts.
Following that episode, SNAI immediately blocked the Barcrest system – also further to an order to that effect issued by AAMS – in order that the necessary checks and inspections could be carried out. The Barcrest system has thus not been operative since that date. Upon completion of the inspections, which also involved independent IT advisors, it emerged that there had not been a single jackpot win generated by the Barcrest system at any time on 16 April 2012.

The event resulted in the following:

- Disputes related to the entertainment device business: allegations from AAMS of breaches in the management of the remote network

On 29 May 2012, AAMS raised two specific measures related to the events of 16 April 2012, the first related to a possible revocation of the certificate of conformity for the SNAI-Barcrest 01 gaming system, and the second to a possible forfeiture of the concession.
By a decision of 21 September 2012, ref. 2012/42503/Giochi/ADI, AAMS revoked the certification of conformity of the SNAI-Barcrest 01 gaming system, which thus prohibited gaming taking place on that system, which SNAI had already blocked as of 16 April 2012. SNAI had already carried out the duties it had consequent thereto under the regulations and the terms of the concession, for the removal of the Barcrest devices from retail venues.

The procedure related to the possible termination of the concession ended with a decision, ref. 2013/8342/Giochi/ADI, served upon the Company on 22 February 2013, under which AAMS determined that it would not be revoking the concession, and limited itself to the application of certain contractual penalties which amounted in total to approximately Euro 1.5 million.

The Directors have made an appropriate provision for risks in the accounts for the year ended 31 December 2012 to cover those liabilities.

- Disputes brought by customers claiming to hold winning tickets as a result of the malfunction of the VLT Barcrest platform

Following the malfunction of the VLT Barcrest platform which occurred on 16 April 2012, some customers claiming to hold winning tickets brought a variety of proceedings seeking payment of the amounts indicated on the tickets issued by VLT Barcrest during the malfunction, and/or compensation of the losses suffered.
More particularly, in the period to 31 December 2012, 54 sets of proceedings, and two applications for mediation had been brought. Of the 54 sets of proceedings, eight included interim orders that were temporarily enforceable, as follows:

- in two cases, the customers obtained the allocation of approximately Euro 500,000, and in one of these, once SNAI obtained the suspension of the interim order's enforceability, it applied for an attachment over the assets of the customer, in equal amount;
- in another case, the temporary enforceability was suspended with SNAI's payment into court of Euro 500,000;
- in the other five cases, temporary enforceability was suspended pending summary examination of SNAI's substantive case, and in three of those, the enforcement procedure that had been commenced was discontinued;

Subsequently, on 31 December 2012, another 14 sets of proceedings were brought, including one temporarily enforceable interim order, enforceability of which was suspended, upholding SNAI's application.
One claim has in the meantime been extinguished, as the customer ceased to pursue the matter.
SNAI will be defending all of the above proceedings, arguing against the demands for payment in fact and in law, given that as the markets and the relevant regulatory authorities have already been informed, there was no valid jackpot at any time in the course of 16 April 2012. In light of the considerations set out, and the advice of its legal advisors, the Directors consider that the risk of the Company losing should not be considered anything more than possible.

In the course of 2012, SNAI brought a claim against Barcrest and its parent for compensation of all losses consequent to the malfunction of 16 April 2012.

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

The directorate general of AAMS has by a number of different decisions given notice of the revocation of the authorization, and the expiry/termination of rights, for failure to activate and/or unauthorised suspension, of gaming with reference to 107 rights assigned to SNAI further to the "Bersani" tender procedure (and with reference to another three rights, AAMS has given notice that it has begun the proceeding for the revocation of authorization and termination of the right).
The Company promptly brought the matter before the regional administrative court in Lazio.

The issues have not yet been resolved. On the basis of the legal advice obtained, and in light of the uncertain nature of disputes in this area, SNAI considers the risk that it might lose these cases to be possible.

Disputes connected with the betting business: Guaranteed Minimums

SNAI has received a number of notices from AAMS regarding the reduced transaction volumes by some bet acceptance points (PAS) in 2007 and 2008, for which AAMS has requested payments by way of guaranteed minimums. Details of the various notices, divided by year, are set forth below.

By a notice of 29 May 2009, NO. 2009/20716, AAMS demanded payment by SNAI of the guaranteed minimums for 2008, totalling approximately Euro 11.1 million. Through its legal advisors, the Company on 17 September 2009 submitted an application to the regional administrative court in Lazio seeking the suspension and subsequent cancellation of the decisions requiring those payments.

The regional administrative court upheld SNAI's application by its Judgment No. 10860/2009, cancelling AAMS's demands.

A similar procedure was followed in relation to AAMS's demand for 2008, with respect to 204 bet acceptance points (PAS), for an aggregate amount of Euro 7.4 million, in relation to which an interim application was brought before the same court, with a view to accelerating resolution of the dispute.
Following litigation brought before the same court by a large number of bet acceptance points (PAS) on the guaranteed minimums for 2006 and 2007, the court ruled in its Judgments, Nos. 6521 and 6522 of 7 July 2009, cancelling the payment demands by AAMS as illegitimate, as they had not been preceded by the safeguard measures contemplated by the law for those shops that existed prior to the market being opened up by Law Decree 223/2006 (the Bersani reforms). The regional administrative court also recognised that AAMS was legally obliged to take those measures, which would broadly recast the terms of operation of bet acceptance points (PAS) that were in place prior to the reforms.
On that basis, it may be reasonable to consider that SNAI should have the benefit of a complete recasting of the demands made by AAMS by way of the adoption of such safeguarding measures, in relation to all the bet acceptance points (PAS) it owns.

It should also be observed that, with regard to the question of guaranteed minimums, SNAI had complied with (but not admitted) AAMS's demands in relation to 2006, paying guaranteed minimums amounting to Euro 2.4 million. The amount paid was recognised as amounts receivable from AAMS, as it was considered recoverable; and the Company informed AAMS that it would be seeking to enforce its rights in all appropriate venues, in order that the amounts in question could be reconsidered in light of equity, and the Company's conduct. Recently, upon the application of the Company and other concession holders, the regional administrative court of Lazio has revoked AAMS's demands and required that it carry out the "safeguarding" measures, in light of the fact that the Bersani tender procedure, and other subsequent tender procedures, have effectively meant that there are no longer the geographically exclusive rights originally granted under some concessions, following the award of a large number of additional bet acceptance point concessions.

Finally, also on the basis of notices related thereto from AAMS to another concession holder, beginning in April 2011, the credit of Euro 2,429 thousand (resulting from the above payment on 2006 guaranteed minimums by the Company to AAMS in prior years) has been offset against current liabilities, being the fortnightly former ASSI amounts.

On 12 January 2012, AAMS was served with 226 demands for payment of guaranteed amounts for the years 2006-2010, plus an additional two demands addressed to the former Agenzia Ippica Monteverde S.r.l. The overall amount was Euro 25,000 thousand, and was stated expressly as having been taken with respect to the safeguarding measures contemplated by article 38, fourth paragraph, of Law Decree 223/2006, which had previously not been in place; but these were stated to reflect the impossibility of any calculation other than repeatedly struck down by the regional administrative court in Lazio, with some judgments now res judicata. SNAI submitted applications to the regional administrative court seeking suspension and cancellation of the decisions. The hearing on the interim application was set for 21 March 2012.
By a ruling, No. 1036/2012, of 22 March 2012, the second section of the regional administrative court in Lazio, while acknowledging the steps taken to resolve the longstanding question of the safeguarding measures, suspended the new notices' effectiveness, pending a hearing on the substantive issues on 5 December 2012.

On 20 June 2012, AAMS served SNAI with 226 demands, and the former Agenzia Ippica Monteverde S.r.l., for payments of additional sums by way of guaranteed minimums for 2006-2011 totalling Euro 24.9 million.
Compared with the previous round of demands, these showed: negatively, additional amounts due for 2011 that AAMS had not previously requested, and positively, a reduction of 5 percent of the amount further to article 10.5(b) of Law Decree 16 of 2 March 2012, converted into Law No. 44 of 26 April 2012.
That clause had provided, in relation to the "amounts for collection pursuant to article 12 of the Presidential Decree No. 169 of 8 April 1998, as amended (the 'guaranteed minimums'), the equitable settlement of a reduction of not more than 5 per cent of the sums still payable by the concession holders, pursuant to that Presidential Decree, with the identification of the manner of such sums' payment, and adjustment of the guarantees".
On 20 July 2012, an application was made to the regional administrative court for Lazio for the interim suspension and subsequent cancellation of those payment demands.
Following a hearing in chambers on 12 September 2012, the court's second section ruled that the notices formed simple offers of settlement, and did not take effect as further demands, where they were not accepted by the concession holder. That interpretation of the notices and the legislation on the one hand left the Company open to defend any attempt to collect that AAMS might pursue; and on the other, confirmed the suspension of the similar documents that AAMS had issued on 30 December 2011, which had already been suspended on an interim basis by the same court, in Judgment No. 1036/2012.
Additional grounds have also been proposed for the further demand of guaranteed minimums in connection with bet acceptance point No. 426, which was very similar to those previously contested, but which was served by AAMS only on 7 August 2012.
At the hearing scheduled for 5 December 2012, in conjunction with that already fixed in connection with the previous notices, the court adjourned to consider its decision.
By Judgment No. 1054, filed on 30 January 2013, the court's second section upheld SNAI's objections as to a lack of constitutionality with reference to the provisions of Law Decree No. 16/2012, ordered suspension of the proceedings, and ordering that the matter be passed to the Constitutional Court. At the same time, it declared that original proceedings, related to the initial notices of January 2012, could not be pursued, due to lack of interest in the lawsuit.
For the whole duration of the proceedings in the constitutional courts, the suspension preventing AAMS from enforcing the decisions will continue to operate, to SNAI's benefit.
The Group, supported by the advice of its legal advisors, considers that the risk of losing in relation to the requests that have been brought by AAMS only to be possible, and consequently has made no provision for risk.

Penalties for exceeding the AWP quotas

Following the request made by AAMS on 22 June 2012, regarding the information related to the location of AWPs where it has been alleged that the quota rules in place at the time have been exceeded as a result of the common presence of machines from different concession holders in January to August 2011, SNAI requested correction of the anomalies on 31 January 2013, and took steps to cancel the payment demand from AAMS. Further thereto, an amount of Euro 1.47 million has been set aside to cover the entirety of the risk represented thereby.

Other Disputes

SNAI and Omniludo S.r.l.

- Claim No. 4194/2007. Omniludo S.r.l. sued the Company alleging breach of its obligations under the contract of 29 June 2005, for the operation, maintenance and assistance by Omniludo S.r.l. of slot machines (the "2005 Contract"), seeking a finding from the court that SNAI was liable for breach of its contractual obligations, in particular the right to commercial exclusivity, under clauses 3 and 4 of the 2005 Contract; an order that SNAI pay compensation in an aggregate amount of Euro 100 million, or such other amount as may be established in the course of the proceedings.
  A further hearing was set for 10 December 2010, which was further adjourned until 17 June 2011. Having set out its arguments, SNAI applied to have the action joined with another brought by the same company, pending in the courts of Lucca, before Judge Giunti (ref. 4810/2010). The Court adjourned to consider the matter.

By a ruling of 10 February 2012, the court ordered that the case be passed to the President of the section, in order that it might be joined with the aforementioned proceedings, or reassigned to Mr Capozzi, who had presided over the proceedings.
By a ruling of 12 March 2012, the President of the court ordered that Case 4194/2007 be called together with Case 4810/2010, at a hearing of 11 December 2013, before Judge Frizilio, with a view to their possible consolidation.

SNAI, supported by the opinion of its legal advisor, considers that the risk of losing the case is not probable.

- Case 4810/2010. By a claim served on 16 November 2010, SNAI sued Omniludo S.r.l. in the Court of Lucca, based upon the grievous breaches of the obligations the latter had assumed under the 2005 Contract, seeking the following remedies:

1) that the court find and declare that Omniludo had breached its duties under that agreement;
2) that the court find and declare the termination of the 2005 Contract, given the serious breaches that Omniludo S.r.l. had committed of its contractual and other obligations;
3) order the defendant to pay compensation prudentially estimated at Euro 40 million, or as equity may require, with the amount indicated in the pleadings pursuant to article 183, sixth para., both by way of loss of profit, and the damage to reputation and goodwill.

At a similar time, SNAI submitted an application pursuant to article 163-bis of the Code of Civil Procedure, with a view to shortening the summons periods, which was upheld by order of the President of the Court of Lucca, dated 5 November 2010, which set a hearing date of 7 January 2011. The case was adjourned to 2 February 2011, when it was again adjourned for preparation of evidence to 18 May 2011, pursuant to article 183, sixth para., of the Code of Civil Procedure. The proceedings were further adjourned to 23 November 2011.
At that hearing, the court said it would consider its decision on the preliminary matters. By a ruling of 7 March 2012, the court said it considered that a final decision could be reached, and set a date for such a hearing of 11 December 2013.
By a ruling of 12 March 2012, the President of the court ordered that Case 4194/2007 be called together with Case 4810/2010, at a hearing of 11 December 2013, before Judge Frizilio, with a view to their possible consolidation.
On 3 April 2012, OMNILUDO has filed an application for the revocation of the court's ruling of 12 March 2012, and for the hearing date to be brought forward from 11 December 2013.
A decision is awaited.
By an order of 23 April 2012, the President of the Court of Lucca ordered the parties to a hearing of 8 June 2012, at which the judge retired to consider whether the date should be brought forward.
On 26 June 2012, the President of the Court ordered that since there were grounds for the cases' consolidation, both matters should be passed to Judge Frizilio for a hearing date and judgment.
With an order by Ms Frizilio of 2 August 2012, Cases 4194/2007 and 4810/2010 were called to a hearing of 11 December 2013.

Stefano Tesi and SNAI

Under an application pursuant to article 702 of the Code of Civil Procedure, served upon SNAI on 19 October 2011, Mr Stefano Tesi sued SNAI for an amount of Euro 13,476,106.10 (or such other amount as may be deemed just), and costs, on the basis that the defendant had not yet made payment of the "extraordinary" sum he had won on a SNAI video lottery terminal.

SNAI gave notice of appearance, opposing the claims in fact and in law, as by law a VLT could not dispense winnings of more than Euro 500,000, and joining the manufacturer, as the event in question was likely a consequence of a defect in the machine. Following an application for a deferment made by SNAI, in order that it might serve the joinder (upon BARCREST Group Limited, of the UK), the court in Lucca adjourned the proceedings to 3 July 2012. At that hearing, at which BARCREST Group appeared, the court retired to consider its decision. The court then ordered the proceedings to be changed to ordinary proceedings, with a hearing date of 9 October 2012, pursuant to article 183 of the Code of Civil Procedure. At that hearing the case was adjourned to 12 March 2013, for the admission of preliminary requests. At the hearing of 12 March 2013, certain matters as to evidence were admitted from SNAI, but not those submitted by Tesi. The case was adjourned to 28 May 2013.
SNAI, with the support of the advice from its legal advisors, considers the risk of losing the case as possible, with reference not to the sum sought by the claimant, but up to the maximum amount of a Jackpot win, which is to say, Euro 500,000.
That is in light also of the joinder of the manufacturer Barcrest Ltd, as guarantor for any payment that SNAI might be obliged to make pursuant to Tesi's claim.

Ainvest Private Equity S.r.l. and SNAI

By a claim served on 14 March 2012, Ainvest Private Equity S.r.l. sued SNAI in the Court of Lucca, seeking an order that SNAI pay alleged success fees linked to the Company's securing of certain bank loans, in an amount of approximately Euro 4 million. SNAI duly gave notice of appearance, and submitted a defense, arguing that the claimant's case was unfounded. After a hearing of 15 February 2013, the court ordered the translation of foreign-language documents that Ainvest had filed. The case is currently pending assignment to another judge.
With the support of the advice of the Company's legal advisors, the Directors have assessed the chance of losing the case as more than possible.

Contingent assets: the receivable from the di Majo award

At the end of the 1990's, a dispute arose between various bet acceptance points and the Finance and Agriculture Ministries, regarding supposed delays and breaches by those Ministries.
The matter resulted in the issuance in 2003 of what became known as the "di Majo award", under which an arbitral tribunal chair by Prof Di Majo, called to resolve the dispute, found that the Ministries were liable and ordered them to compensate the concession holders.
The compensation assigned to SNAI for the period to 30 June 2006 was Euro 2.3 million.
The compensation for subsequent years has yet to be determined in its entirety.
The Ministries concerned appealed the decision in the Court of Appeal in Rome.
At a hearing of 14 December 2012, the matter was reserved for judgment.

In addition, on 22 June 2010, the trade association Assosnai sent AAMS a proposal for a settlement of the dispute, under which the concession holders' claims against the Ministries would be offset against their liabilities towards AAMS (with an express waiver of the interest accrued on the claims, currency adjustments, and such enforcement actions as had been commenced), and the Ministries would abandon the proceedings before the Court of Appeal in Rome.
AAMS formally raised the question with the Attorney General's office, and informed Assosnai that the Office had confirmed that such a settlement would be admissible.
The settlement still remains unresolved.
Nonetheless, by a decree issued by AAMS, the offsetting of the claims from the di Majo award has been authorised, and SNAI has accordingly offset an amount of Euro 8,222,946.28.

In the event that the settlement is not completed, and the Court of Appeal rules the di Majo award void, that setoff would have been made with a non-existent claim, which would mean the return of the liability thus offset. Accordingly, the liability has continued to be recognised (see Note 29), and the revenue related to the claim does not yet appear in the financial statements.

ALLEGATIONS ON 2006 PREU BY AAMS REGIONAL OFFICES

This matters regards 41 notices from AAMS regional offices, which set out counter readings for entertainment devices, pursuant to article 110, sixth para., of the Consolidated Public Safety Legislation, in which there are calculated differences compared with the payments made by the concession holder in relation to each individual machine.
The aggregate amount sought by way of sanctions and PREU amounted to Euro 786,876.85 (Euro 193,427.76 by way of sanctions, and Euro 593,449.09 by way of PREU), and interest.
SNAI has appealed these findings to the Provincial Tax Commission, seeking, as a preliminary matter, suspension of the assessment's enforceability.

With reference to the procedures further thereto:

- in relation to four notices of assessment, AAMS has issued a decision for their cancellation (and setting aside)
- in relation to 18 procedures, the main hearing date has yet to be fixed
- in relation to 18 procedures, a judgment has been issued upholding the applications filed by SNAI, of which three have found there is no longer a case to answer
- in relation to one procedure, a judgment has been issued dismissing SNAI's application (which SNAI intends to appeal, as it is still in time).

Against 15 judgments, AAMS has appealed to the relevant regional tax commission.
SNAI has filed responses to the appeals.
With the support of the advice of the Company's legal advisors, the Directors have assessed the chance of losing the cases as possible.

ALLEGATIONS ON 2007 PREU BY AAMS REGIONAL OFFICES

This matters regards 12 notices from AAMS regional offices, which set out counter readings for entertainment devices, pursuant to article 110, sixth para., of the Consolidated Public Safety Legislation, in which there are calculated differences compared with the payments made by the concession holder in relation to each individual machine.
The aggregate amount sought by way of sanctions and PREU amounted to Euro 82,101.58 (Euro 49,683.24 by way of sanctions, and Euro 32,418.34 by way of PREU), and interest.

SNAI has appealed these findings to the Provincial Tax Commission.

With reference to the procedures further thereto:

- in relation to one notice of assessment, AAMS has issued a decision for its cancellation (and setting aside)
- in relation to two procedures, a judgment has been issued upholding the applications filed by SNAI
- in relation to nine procedures, a hearing date is awaited on the suspension and on the substantive case.

With the support of the advice of the Company's legal advisors, the Directors have assessed the chance of losing the cases as possible.

QUOTES OF 2 OCTOBER 2012

As a result of an anomaly that occurred on 2 October 2012, offers were made and quoted, with evidently incorrect quotes, for a few minutes. They related to sporting events, and in particular bets classified as Under/Over 5.5 and Under/Over, second half, 0.5.

Some customers took advantage of that error, having realised the anomaly, and placed a series of simple and system bets, both in person and through the portal www.snai.it.
SNAI promptly informed AAMS of what had happened prior to the event.

Some customers have begun proceedings to obtain payment of their winnings.
SNAI is preparing its defense arguments, in light also of the case-law precedents that favour concession holders that have published quotes with manifest errors, and it will appear in the proceedings.

29. Miscellaneous and other liabilities

Miscellaneous and other non-current liabilities were as set forth in the following table.

(in thousands of Euros)	**31.12.2012**	**31.12.2011**	**Change**
Miscellaneous debts and other non-current liabilities			
Tax debts			
- installments related to PVC	1.429	3.195	(1.766)
	1.429	**3.195**	**(1.766)**
Other debts			
- installments related to PREU for previous years	509	807	(298)
- for non-competition agreement	0	1.568	(1.568)
- for liabilities-side security deposits	13	13	0
	522	**2.388**	**(1.866)**
Total miscellaneous debts and other non-current liabilities	**1.951**	**5.583**	**(3.632)**

The other current assets were as set forth in the following table.

Thousands of Euro	**31.12.2012**	**31.12.2011**	**Change**
Other current liabilities			
Tax debts			
- income taxes	1.038	4.058	(3.020)
- VAT	716	1.104	(388)
- Single tax	5.222	9.713	(4.491)
- installments related to the PVC	3.119	3.201	(82)
- other tax debts	1.777	1.050	727
	11.872	**19.126**	**(7.254)**
Debts owed to social security institutions			
- Social security entities	2.156	2.285	(129)
	2.156	**2.285**	**(129)**
Other debts			
- owed to AAMS for PREU balances due	16.252	9.871	6.381
- owed to AAMS for ADI security deposits	2.705	2.335	370
- for installments related to PREU for previous years	499	437	62
- owed to winners and VLT jackpot reserve	7.401	1.233	6.168
- owed to AAMS as concession installment	1.622	1.401	221
- owed to players for antepost bets	2.484	2.827	(343)
- owed to players for winnings and refunds on Bets/IPN/CPS	2.281	2.674	(393)
- owed to the former ASSI for fifteen-year balances	1.511	2.154	(643)
- owed to AAMS for required tickets	339	296	43
- owed to AAMS for pool betting and national horse races	4.649	3.815	834
- for SNAI Card gaming cards	5.428	4.979	449
- owed to Remote Gaming players (Skill/Casino/Bingo)	182	194	(12)
- for the operation of Remote Games (Skill/Casino/Bingo)	0	259	(259)
- for the sale of the Di Majo Award receivable	10.837	13.816	(2.979)

- for the set-off of the Di Majo Award	8.795	0	8.795
- for non-competition agreement	503	1.001	(498)
- owed to employees and collaborators	2.871	3.088	(217)
- owed to directors	617	890	(273)
- owed to statutory auditors	189	320	(131)
- for security deposits	2.395	1.538	857
- owed to others	1.174	1.771	(597)
	72.734	**54.899**	**17.835**
Liabilities-side accruals and deferrals			
- accrued expenses	113	79	34
- unearned revenues	1.026	178	848
	1.139	**257**	**882**
Total other current liabilities	**87.901**	**76.567**	**11.334**

The liability for notices of assessment payable by instalments, of Euro 4,548 thousand in aggregate, related to the settlement of assessments consequent to the notices of assessments served in December 2009 and November 2011, of which Euro 1,429 thousand fell due in more than 12 months, and Euro 3,119 thousand within 12 months. The amount includes tax, sanctions and interest, as set out in the statements completing those assessments, with acceptance, dated 14 October 2010 (for 2006-2008), 21 February 2012 (for 2009) and 5 July 2012 (for 2010), under which payment in twelve quarterly instalments was also agreed. For further details, please refer to Note 28.

Other current liabilities include "liabilities for non-competition agreements", recognised as a result of the commitment assumed by some former directors not to compete with the Company for a period of three years from 1 April 2011.
Liabilities towards third parties for assignment of di Majo award claims regards the purchase of certain claims from third-party operators and concession holders, for further details of which please refer to Note 20.
The liability towards AAMS for PREU, in the amount of Euro 16,252 thousand, is calculated in relation to entertainment device transactions.

The item, deferred income, of Euro 1,026 thousand, related principally to the part of the grants to the Unire investment fund recognised as grants related to investments.

30. Trade payables

Trade payables were comprised as set forth in the following table.

(in thousands of Euros)	31.12.2012	31.12.2011	Change
Trade payables			
- suppliers	31.562	21.596	9.966
- stables, jockeys and bookies	8.437	4.051	4.386
- foreign suppliers	5.144	3.638	1.506
- advances paid to suppliers	(771)	(1.220)	449
- credit notes to be received	(391)	(678)	287
- payables owed to the affiliate Connext S.r.l.	212	159	53
- payables owed to the affiliate Alfea S.p.A.	3	0	3
- payables owed to the subsidiary Tivu + S.p.A. in liquid.	43	43	0
Total trade payables	**44.239**	**27.589**	**16.650**

31. Overdue payables

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

(figures in thousands of Euro)

Current liabilities	Balance as of 31.12.2012	Of which overdue as of 31.12.2012
Financial debts	36.195	-
Trade payables	44.239	8.943
Tax debts	11.872	
Debts owed to social security entities	2.156	-
Other debts	72.734	-
	167.196	**8.943**

Trade payables: the amounts overdue as at 31 December 2012, of Euro 8,943 thousand, regard current dealings with suppliers of goods and services. The great majority of these have been paid since 31 December 2012. In some cases payment has been rescheduled. Currently, there are no indications of reactions on the part of any suppliers.

32. Financial commitments

The following table sets forth details of guarantees issued, which amounted to Euro 186,440 (compared to Euro 234,531 as at 31 December 2011).

Bank	Beneficiary	Subject matter of the guarantee	Amount of bank guarantee as of 31 December 2012 (thousands of Euro)	Amount of bank guarantee as of 31 December 2011 (thousands of Euro)
UNICREDIT	AAMS	As a guarantee securing the opening of sports gaming stores and points and activation of remote sports gaming in connection with the concessions granted under the 2006 tender procedure. On 05/04/2011, the subject matter (but not the amount) of the bank guarantee was supplemented, setting the maximum amount of the guarantee at € 200,000 pursuant to art. 15 of the supplementary deed to the concession, until 31/03/2012.	35.895	39.542
UNICREDIT	AAMS	For the timely and exact payment of PREU and security	24.600	24.600
UNICREDIT	AAMS	As a guarantee securing the opening of horse racing gaming stores and points and the activation of remote horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedure	18.134	26.527
UNICREDIT	AAMS	Guarantee securing the concession for the acceptance of horse race bets	13.590	13.590
BANCA POP. DI VICENZA (EX B. NUOVA)	AAMS	Guarantee of the timely and exact payment of PREU	10.000	10.000
UNICREDIT	AAMS	Sports concession	7.652	7.652
CR DI PISTOIA E DELLA LUCCHESIA (ex CRF)	AAMS	Guarantee of the timely and exact payment of PREU	6.000	6.000
UNICREDIT	AAMS	Per the application to take part in the tender procedure	6.000	6.000
UNICREDIT	AAMS	For proper performance, payment of amounts and issuance of authorizations for the installment of VLT, AWP devices.	6.000	6.000
UNICREDIT	ex ASSI	In the interest of Teleippica for the supply of broadcasting, elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5.387	0
CR DI PISTOIA E DELLA LUCCHESIA (ex CRF)	AAMS	Sports concession	5.000	5.000
CREDART	AAMS	For the timely and exact payment of	5.000	5.000

				PREU		
BNL		AAMS		For the concession for the acceptance of horse race and sports bets	4.960	4.960
BPM		AAMS		Guarantee securing the preparation and adaptation of infrastructures for the connection of access points to the elaboration/processing system	3.000	3.000
CREDART		AAMS		Guarantee securing the payment on the agreed dates of the installments related to debts accrued by the concession holder towards the revenues agency and the former ASSI	2.983	2.983
UNICREDIT		AAMS		Application for the award of 2,000 rights for the operation and collection, through a physical network, of public sports and horse race games (temporary)	2.900	0
MPS		AAMS		Application for the award of 2,000 rights for the operation and collection, through a physical network, of public sports and horse race games (temporary)	2.500	0
CREDART		AAMS		Guarantee securing the proper performance of activities and functions assigned, timely and exact payment of the tax and the amounts owed to the former ASSI	2.202	2.202
MPS		AAMS		Horse race concession	2.131	2.131
BPM		AAMS		Guarantee securing the timely and exact payment of the concession installment	2.057	2.057
UNICREDIT		REVENUES AGENCY		Guarantee securing debt following the assessment with settlement pursuant to Legislative Decree No. 218/1997, PVC	1.928	5.110
BNL		AAMS		Sports concession	1.923	1.923
UNICREDIT		AAMS		On-line games	1.771	200
BPM		AAMS		Horse race concession	1.704	1.704
MPS		AAMS		Horse race concession	1.573	1.573
CASSA DI RISPARMIO DI RAVENNA		PUBLIC ENTITIES		Pro-quota, several/non-joint bank guarantee in the interest of Hippogroup Roma Capannelle for the opening of a bank credit line and bank guarantee securing obligations under creditors' agreement, including those undertaking towards Roma Capitale	1.389	1.389
BPM		AAMS		Horse race concession	1.259	1.259
BINTER		ex ASSI		Temporary security deposit in the interest of Teleippica for the tender procedure for broadcasting, elaboration and dissemination of the audio/video signal from Italian and foreign racetracks	1.200	0
BINTER		AAMS		For the application for the award of 2,000 rights for the operation and acceptance through a physical network of public horse race and sports games (temporary)	1.200	0
B.INTESA		AAMS		Horse race concession	1.163	1.163
MPS		AAMS		Sports concession	1.000	1.000
UNICREDIT		AAMS		Guarante securing the exact and timely payment of PREU	994	2.047
UNICREDIT		AAMS		Sports concession	344	344
UNICREDIT		ex ASSI		For agency 257	317	317

UNICREDIT		ex ASSI		For agencies 223 and 465	283	283
BPM		AAMS		Securing the debt owed to the Revenues Agency and the former ASSI, as security backing concession 1507	230	230
FINAURORA		ex ASSI		Guarantee securing the concession-related obligations related to the horse race concession	0	25.806
UNICREDIT		AAMS		Guarantee securing debts accrued for concessions - 30/10/06 – Snai's payment of 1st installment of the supplementation of the minimums related to the sports debt	0	9.008
FINAURORA		ex ASSI		Guarantee securing the structured debt related to the horse race concessions	0	7.585
B.INTESA		AAMS		Horse race concession	0	2.557
BNL		AAMS		Horse race concession	0	959
BNL		AAMS		Horse race concession	0	708
UNICREDIT		AAMS		Sports concession	0	203
MISCELLANEOUS (lower than Euro 200 thousands					2.171	1.920
TOTAL					**186.440**	**234.531**

With reference to the new facilities put in place on 29 March 2011, as is usual with transactions of this sort, SNAI S.p.A. has agreed to provide a series of forms of security over the principal tangible and intangible assets of those companies of the Group considered material.

33. Related parties

CONSOB Notice No. 6064293 of 28 July 2006 requires that, in addition to the information required by IAS/IFRS on related parties (under IAS 24), information be provided regarding the impact of transactions or positions with related parties, as classified by IAS 24, have upon the balance sheet, income statement and cash flows.

The following table sets forth those impacts. The impact that transactions have upon the income statement and cash flows of the Company and/or the Group must be analyzed bearing in mind that the principal dealings with related parties are entirely identical to equivalent contracts in place with third parties.
The Group provides services for concession holders of bet acceptance points. Some concession holders and managers of retail premises (bet acceptance points) are held by members of the Company's Board of Directors who resigned on 14 May 2012. Transactions are governed by standard-form contracts, upon market terms entirely identical to those of the third-party concession holders.

SNAI S.p.A. has bank accounts with Banca Popolare di Milano, Intesa San Paolo, and Banca Popolare di Vicenza, which may be considered related parties in that they are companies related to shareholders of SNAI S.p.A. Those transactions were carried out in the Company's interest, form part of its ordinary operations, and are governed by market terms.

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

Thousands of Euro	**31.12.2012**	**% incidence**	**31.12.2011**	**% incidence**
Trade receivables:				
- owed by companies owned by directors of Snai S.p.A.	92	0,10%	13.365	17,50%
- owed by Global Games S.p.A.	6	0,01%	4	0,01%
- owed by companies owend by shareholders of Snai S.p.A.	30	0,03%	159	0,21%
	128	**0,14%**	**13.528**	**17,72%**
Other current assets:				
- owed by companies owned by shareholders of Snai S.p.A.	3	0,01%	-	0,00%
	3	**0,01%**	**-**	**0,00%**
Total assets	**131**	**0,02%**	**13.528**	**1,73%**
Trade payables:				
- owed to companies owned by directors of Snai S.p.A.	-	0,00%	29	0,11%
- owed toTivu + S.p.A. in liquidation	43	0,10%	43	0,16%
- owed to Connext S.r.l.	212	0,48%	159	0,58%
- owed to Alfea	3	0,01%		0,00%

- owed to companies owned by shareholers of Snai S.p.A.	-	0,00%	-	0,00%
	258	**0,59%**	**231**	**0,85%**
Other current liabilities:				
- owed to companies owned by directors Snai S.p.A.	1	0,00%	3.548	4,63%
- owed to directors of SNAI S.p.A. under non-competition agreements	-	0,00%	567	0,74%
- owed to Global Games S.p.A.	5	0,01%	-	0,00%
	6	**0,01%**	**4.115**	**5,37%**
Other non-current liabilities:				
- owed to directors of SNAI S.p.A. under non-competition agreements	-	0,00%	1.134	20,31%
	-	**0,00%**	**1.134**	**20,31%**
Total liabilities	**264**	**0,04%**	**5.480**	**0,96%**

The assets are stated on a net basis, not taking into account the related provisions.

The following table sets forth the amounts in connection with related party relationships:

thousands of Euro	Year 2012	% incidence	Year 2011	% incidence
Revenues for sales of services and charge-backs:				
- from companies owned by directors of Snai S.p.A.	286	0,06%	1.755	0,31%
- from companies owned by shareholders of Snai S.p.A.	28	0,01%	12	0,00%
	314	**0,07%**	**1.772**	**0,31%**
Other revenues				
- from SNAI Servizi S.p.A.	-	0,00%	42	3,69%
- from companies owned by directors of Snai S.p.A.	1	0,06%	-	0,00%
- from Global Games S.p.A.	6	0,36%	-	0,00%
- from Tivu + S.p.A. in liquidation	-	0,00%	5	0,44%
- from companies owned by shareholders of Snai S.p.A.	131	7,76%	-	0,00%
	138	**8,18%**	**48**	**4,22%**
Earned interest:				
- from companies owned by directors of Snai S.p.A.	17	1,70%	758	33,98%
- from SNAI Servizi S.p.A.	-	0,00%	384	17,21%
	17	**1,70%**	**1.142**	**51,19%**
Total revenues	**469**	**0,09%**	**2.962**	**0,53%**
Costs for raw materials and consumables used				
- from Connext S.r.l.	-	0,00%	2	0,14%
	-	**0,00%**	**2**	**0,14%**
Costs for supplies of services and charge-backs:				
- to companies owned by directors of Snai S.p.A.	8.838	2,27%	38.442	9,38%
- to SNAI Servizi S.p.A.	-	0,00%	14	0,00%
- to companies ownd by shareholders of Snai S.p.A.	1.144	0,29%	16	0,00%
- to companies owned by statutory auditors of Snai S.p.A.	1	0,00%	-	0,00%
- to Alfea	19	0,00%	-	0,00%
- from Connext S.r.l.	711	0,18%	773	0,19%
- from Solar S.A.	-	0,00%	110	0,03%
	10.713	**2,74%**	**39.355**	**9,60%**
Other operating costs:				
- to companies owned by directors of Snai S.p.A.	32	0,09%	-	0,00%
- from Connext S.r.l.	-	0,00%	2	0,01%
	32	**0,09%**	**2**	**0,01%**
Interest payable and fees:				
Financial costs Solar S.A.	-	0,00%	1.575	3,72%
Financial costs on vendor loans owed to companies owned by directors of Snai S.p.A.	-	0,00%	70	0,17%
	-	**0,00%**	**1.645**	**3,89%**
Total costs	**10.745**	**2,54%**	**41.004**	**8,31%**

Revenues for supplies of services and chargebacks, and other revenues represented 0.79 percent of EBITDA in 2012 (compared to 2.44 percent in 2011), while Total revenues represented 1.10 per cent of Profit (Loss) for the year in 2012 (compared to 7.31 percent in 2011).
The Costs of purchasing semi-finished and finished goods, raw materials and consumables, and for supplies of services and chargebacks represented 18.67 percent of EBITDA in 2012 (compared to 52.67 percent in 2011), and Total costs represented 25.25 percent of Profit (Loss) for the year in 2012 (compared to 101.18 percent in 2011).

34. Financial Risk Management

The Group had financial liabilities principally comprising structured bank financing and finance leases. Those contracts are medium- and long-term.
The liabilities were assumed in connection with transactions for significant strategic development that were planned and concluded between 2006 and 2011, in order to acquire business divisions, concessions, and new rights, in order to consolidate and bolster presence in the reference market.
In addition to the share capital increase by SNAI S.p.A., which was completed in January 2007 and secured financial resources of Euro 24,691 thousand, the Company had in March 2011 entered into a new facility agreement, for an initial aggregate amount of Euro 490,000 thousand, with a view to appropriately structuring its growth opportunities, supporting the investments necessary for its growth plan, and allowing sufficient elasticity and autonomy in terms of its liquidity. The facility, which was structured into six different facilities, had as at 31 December 2012 been used in part, for an aggregate amount of Euro 368,850 thousand.
The Group's policy is to reduce to the extent possible its use of interest-bearing credit to fund its ordinary operations, reduce the collection periods for its trade receivables, to arrange timings and means of deferment in respect of trade creditors, and to plan and diversify the payment terms for its investments.

Derivatives

Derivative instruments are used by the Group in order to hedge current or anticipated exposure to interest rate risk, in accordance with the Group's policy on interest rate risk management.
The objective pursued by the Group through its interest rate risk management is to limit variability in expected cash flows, while not precluding its ability to benefit from any interest rate cuts and thus it seeks to establish an optimal combination of exposure to fixed and to floating rates, which is considered in line with those objectives.
Consistent with the terms of IAS 39, derivative instruments are measured at fair value, and recorded in accordance with the rules on hedge accounting where the relevant requisites are met.

Fair Value

Fair value is the consideration for which an asset may be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
The fair value of a financial instrument at the time of the initial recognition is normally the transaction price and, in other words, the consideration given or received. Nonetheless, if part of the consideration given or received is something other than the financial instrument, its fair value is estimated using a valuation technique.
The presence of official quoted prices in an active market is the best evidence of fair value, and where they exist, they are used to measure the financial asset or liability.
If the market for a financial instrument is not active, fair value is determined using a valuation technique that principally uses market factors and, as little as possible, internal valuation data.
The Group has as financial instruments measured at fair value only derivative contracts whose value is determine using valuation models and data from observable markets, and thus, under the fair value hierarchy established by IAS 39, they are Level 2 fair value instruments.

Criteria for determining fair value

The Group makes use of valuation techniques that are commonly used in market practice for determining the fair value of financial instruments for which no active market exists.
The mark-to-market values derived from the use of pricing models are periodically compared with the mark-to-market values provided by the counterparty banks.

Hedge Accounting

Depending upon the nature of the risk hedged, the following accounting treatment is applied:
Fair value hedge – if a derivative instrument is designated a hedge of the exposure to changes in fair value of an asset or liability attributable to a particular risk that could affect profit and loss, then:
changes in the instrument's fair value are recognised in profit and loss;
changes in the fair value of the hedged item, attributable to the hedged risk, adjust the carrying amount of the hedged item and are recognised in profit and loss;
Cash flow hedge – if a derivative instrument is designated as hedging exposure to variability in the cash flows of an asset or liability on the balance sheet, or a transaction that is considered highly probable, the effects that are recognised are as follows:
the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, and that amount is the lesser (in absolute terms) of:
the cumulative gain or loss on the fair value of the hedging derivative from inception of the hedge; and

the cumulated change in the net present value of the expected cash flows on the hedged instrument, from inception of the hedge, the ineffective portion is determined as the difference between the gain or loss on the hedging instrument and the effective component recognised in equity, and is recognised in profit and loss;
the amounts recognised in equity as the effective hedging component are transferred to profit and loss when the hedged item is recognised in profit and loss.
In the event that the conditions for the application of hedge accounting are not satisfied, the effects derived from the fair value measurement of the derivative are recognised directly in profit and loss.

Currently, the Group has derivative instruments that hedge interest rate risk whose accounting treatment is in hedge accounting (as cash flow hedges).
In order to verify the effectiveness of the hedges it has put in place, the Group carries out retrospective and prospective testing.
Prospective testing provides that at inception and over the whole term of the hedging relationship, every hedge must be shown to be highly effective, where effective means that the changes in the fair value or cash flows of the hedged item must set off "almost completely" the changes in fair value or cash flows of the hedged instrument.
Retrospective testing provides that the hedge is shown to be highly effective when its results come within a range of between 80 and 125 percent
In order to verify periodically the effectiveness of the hedges, the Group uses the Dollar Offset Method or Ratio Analysis. As at 31 December 2012, checking the effectiveness through the Dollar Offset Method showed how the hedges the Group had put in place were effective.

Derivative instruments as at 31 December 2012
As at 31 December 2012, the Group had two derivative instruments (interest rate swaps) in place, which were entered into to hedge the interest rate risk connected with the facility provided by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. The Group has elected to account for those derivatives under hedge accounting, as cash flow hedges in accordance with the rules of IAS 39.
In particular, the two IRS contracts, made with Banca IMI S.p.A. and Unicredit S.p.A., respectively, hedge Facility A, Facilty B, and the Capex Facility, as follows:
the interest rate swap made with Banca IMI S.p.A. serves entirely to hedge Tranche A;
of the derivative made with Unicredit S.p.A., 67.5 percent hedges Tranche B, 5.45 percent hedges Tranche A, and 27.05 percent hedges the Capex Tranche.
As at 31 December 2012, the fair value of the derivatives was approximately negative Euro 3,136 thousand, with reference to the IRS made with Banca IMI S.p.A. and approximately negative Euro 6,270 thousand, with reference to the IRS made with Unicredit S.p.A.
The following table sets forth the changes in the cash flow hedge reserve in the year ended 31 December 2012.
Changes to cash flow hedge reserve (amounts in thousands of Euros).

Cash Flow Hedge Reserve - Interest Rate Risk	**31.12.2012**
Initial reserve	**(3.970)**
Positive (+) / negative (-) changes in reserve for statement of effectiveness of hedging	(5.281)
Positive (+) /negative (-) reclassifications to the income staement for cash flows that have impacted upon the income statement	2.431
Final reserve	**(6.820)**

Liquidity risk
Liquidity risk as defined as the possibility that the Group is unable to settle its payment commitments as a result of an inability to obtain new funds (funding liquidity risk), to sell assets in the market (asset liquidity risk), or is obliged to incur very high costs in order to settle those commitments. Exposure to that risk for the Group is connected above all with the commitments under the facilities put in place in March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A.
The following table presents an analysis of the maturities based upon the undiscounted contractual repayment obligations in relation to the various lines of the facility opened in March 2011, the two hedging interest rate swaps and the finance leases in place as at 31 December 2012. The flows including interest are included in the first time range in which they could arise (amounts in thousands of Euros).

Description	Total cash flow	< 6 M	6 M < CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y	CF > 5 Y
Facility A	(122.088)	(7.110)	(14.007)	(29.479)	(71.492)	0
Facility B	(173.998)	(3.471)	(3.619)	(7.232)	(22.728)	(136.948)
Capex Facility	(60.079)	18.856	(1.703)	(8.144)	(59.985)	(9.103)
Disposal Facility	(91.517)	(2.447)	(1.860)	(3.691)	(11.082)	(72.437)

Revolving Facility	(9.344)	(124)	(9.220)	0	0	0
IRS Banca IMI	(10.149)	(7.775)	(408)	(1.178)	(788)	0
IRS Unicredit	(6.301)	(1.555)	(816)	(2.356)	(1.574)	0
Leasing	(19.340)	(7.262)	(5.574)	(4.266)	(2.238)	0
Other Liabilities	(89.852)	(83.612)	(3.456)	(1.538)	(1.246)	0

Interest rate risk

In connection with the financing and commitments related to its core operations, the Group is exposed to interest rate risk, which may be 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 the result of interest rate fluctuations.

Interest rate risk thus represents the uncertainty associated with interest rate performance.

The Group's exposure to that risk, as at 31 December 2012, in particular regards the facilities put in place in March 2011, all of which are at floating rates. The Group has assumed the obligation, in respect of that facility, to ensure it has suitable means of hedging the interest rate risk on some of the facilities. Also on the basis of the terms of the Group's Policy on interest rate risk management, the Group in August 2011 entered into two interest rate swaps with two leading financial institutions in order to hedge part of the exposure to interest rate associated with the facilities.

The aim of the Group's interest rate risk management is to protect the Group's financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

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

The following table sets forth the results of the interest rate sensitivity analysis (as to fair value sensitivity) conducted in relation to the hedging derivatives in place as at 31 December 2012, with an indication of the impacts upon the income statement and equity.

Interest rate sensitivity analysis

Table of interest rate sensitivity analysis – fair value sensitivity of hedging derivatives (amounts in thousands of Euros)

#	Controparte	Tipologia	Trattamento contabile	Fair Value	Fair Value + 50bps	Fair Value - 8 bps	Delta effetto a PN + 50 bps	Delta effetto a CE + 50 bps	Delta effetto a PN - 8 bps	Delta effetto a CE - 8 bps
1	Banca IMI	IRS	Hedging	(3.136)	(2.249)	(3.280)	887	-	(143)	-
2	Unicredit / Tranche B	IRS	Hedging	(4.232)	(3.035)	(4.426)	1.197	-	(194)	-
3	Unicredit / Tranche A	IRS	Hedging	(342)	(245)	(357)	97	-	(16)	
4	Unicredit / Capex & Disposal	IRS	Hedging	(1.696)	(1.216)	(1.774)	2.913	-	(78)	-
			TOTALE €/000	**(9.406)**	**(6.745)**	**(9.837)**	**5.094**	**-**	**(430)**	**-**

As shown by the table, with reference to the two hedging interest rate swaps in place as at 31 December 2012, which are treated as cash flow hedges, hypothetical changes on the Euro yield curve of +50 basis points and -8 basis points would produce the following effects:

upon equity: a change in the cash flow hedge reserve, deriving from the effective component of the hedging derivatives of approximately Euro 5,094 thousand, in the event of the positive change to the Euro yield curve, and of approximately negative Euro 430 thousand, in the event of the negative change;

upon profit and loss: no cost or revenue in the event of the positive or negative change to the Euro yield curve.

The interest rate risk sensitivity (as to cash flow sensitivity) was carried out taking into consideration the unhedged items that give rise to interest at floating rates, assuming a change in the Euro yield curve of +50 basis points, and -8 basis points, respectively.

Credit risk

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

Potential asset relationships are always subjected to reliability analyses prior to the event, through the use of information from leading specialised suppliers. The analyses obtained are appropriately supplemented with such information as is available within the Group, resulting in a reliability assessment. That assessment is subject to review periodically, and wherever new information emerges, if appropriate.

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

A number of asset relationships are preliminary secured with guarantees or deposits, which are provided to the Group drawing upon characteristics determined by the reliability assessment.

Relationships established are monitored on a regular, on-going basis by a dedicated group of employees, which deals with the various departments involved.
Receivables are regularly subjected to in-depth assessments. In particular, receivables are shown net of the relevant write-down provisions. Allocations made to the provisions for receivables write-down are recorded where there is objective evidence of the difficulty in the Company's recovery of the receivable. Where receivables are considered no longer recoverable, they are written off completely.
In relation to the aforementioned financial instruments, the maximum exposure to credit risk, without considering any security that may be held or other instruments that may mitigate credit risk, is their fair value.
The risk regarding the Group's other financial assets is limited.

Exchange rate risk
There are no transactions worth mentioning that may generate risks connected with changes in exchange rates.

Capital management
The Group's capital management is intended to ensure a sound credit rating and appropriate levels of capital indicators, to support operations and investment plans while meeting the contractual obligations assumed towards lenders.

The Group may, subject to the contractual limits under its loan agreements, pay dividends to shareholders and issue new shares.

The Group has analyzed its capital in terms of its debt/capital ratio, which is to say, the ratio between net debt and equity plus net debt. The Group's policy is to seek to keep that ratio between 0.3 and 1.0.

thousands of Euro	31.12.2012	31.12.2011
Interest-bearing loans	380.476	394.127
non interest-bearig loans	155	774
Financial liabilities	380.631	394.901
Trade debts and other debts	134.091	109.739
Currente financial assets	(10.249)	(257)
Cash and cash equvalents	(11.010)	(40.282)
Net debt	**493.463**	**464.101**
Net shareholders' equity	164.229	210.350
Total net shareholders' equity	**164.229**	**210.350**
Net shareholders' equity and net debt	**657.692**	**674.451**
Ratio net debt/net shareholders' equity and net debt	75,00%	68,80%

35. Significant non-recurring events and transactions

No non-recurring revenue or costs were recognised in the financial year ended 31 December 2012, for the purposes of CONSOB Resolution No. 15519 of 27 July 2006, which defines such items as "(positive and/or negative) income components deriving from events or transactions whose occurrence is non-recurring or from transactions or events that are not frequently repeated in the ordinary course of business."

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

In the financial year ended 31 December 2012, there were no atypical or unusual transactions.

37. Companies of the Group

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

Significant investments in subsidiaries

	Percentage held	
	31.12.2012	31.12.2011
IMMOBILIARE VALCARENGA S.r.l. held by sole quotaholder	100	100
FESTA S.r.l. held by sole quotaholder	100	100
Mac Horse S.r.l. held by sole quotaholder in liquidation	0	100
Società Trenno S.r.l. held by sole quotaholder	100	100
Faste S.r.l. held by sole quotaholder in liquidation	0	100
SNAI Olè S.A.	100	100
SNAI France S.A.	100	100
Teleippica S.r.l.	100	100

On 26 April 2012, the shareholders' meeting of Faste S.r.l. (in liquidation) approved the company's final liquidation accounts, as at and for the period ended 31 March 2012, and the scheme for the distribution of assets. In addition, it gave the liquidator a mandate to enable the latter to perform all duties in connection with the completion of the liquidation and the company's removal from the register. On 4 June 2012, Faste S.r.l. was removed from the register, and the VAT account closed with the Revenues Agency.

On 17 October 2012, the shareholders' meeting of Mac Horse S.r.l. (in liquidation) approved the company's final liquidation accounts, as at and for the period ended 30 September 2012, and the scheme for the distribution of assets, and on 30 October 2012, the company was removed from the register.

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

38. Net financial position

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

thousands of Euro	31.12.2012	31.12.2011
A. Cash	204	322
B. Other available liquidity	10.806	39.960
bank accounts	*10.789*	*39.952*
postal accounts	*17*	*8*
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	**11.011**	**40.283**
E. Current financial receivables	**7**	**256**
- Escrow Account)	7	256
F. Current bank debts	10.038	17.655
G. Current portion of non-current indebtedness	16.100	75.750
H. Other current financial debts	10.057	20.289
- for the purchase of shareholding and agency business unit	0	291
- for the purchase of horse race and sprots concessions	155	365
- debts owed to other lenders	9.902	19.633
I. Current financial indebtedness (F) + (G) + (H)	**36.195**	**113.694**
J. Current net financial indebtedness (I) - (E) -(D)	**25.177**	**73.155**

K. Non-current bank debts	328.866	259.337
L. Bonds issued	0	0
M. Other non-current debts	15.570	21.870
- debts owed to other lenders	6.164	16.277
- for the purchase of horse race and sports bets	0	118
- Interest rate Swap	9.406	5.475
N. Non-current financial indebtedness (K) +(L) + (M)	**344.436**	**281.207**
O. Net financial indebtedness (J) + (N)	**369.613**	**354.362**

The net financial position does not include balances standing to the credit of escrow accounts and other unavailable account of Euro 10,241 thousand, which are classified as "current financial assets" in the balance sheet (see Note 21).

Net debt increased by Euro 15,251 thousand, compared with 31 December 2011. The increase was principally due to the further delay on the part of the former ASSI in making payments to Società Trenno S.r.l. and Teleippica S.r.l.

38.1 Covenants

The Facility Agreements in place provide for a series of obligations to which the Group is held, as is usual for this kind of financing.
SNAI S.p.A. has committed to comply with financial covenants pursuant to agreements with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. in relation to the medium- and long-term financing agreement with an initial aggregate amount of euro 490 million (for further information, please see Note 27).
In particular, those covenants regard maintaining certain ratios between cash flows linked to borrowing, "consolidated EBITDA", and investments. EBITDA is defined in the facility agreement and indicates the consolidated earnings before interest, taxes, depreciation, and amortisation, and all extraordinary and non-recurring items.
An amendment to the Facilities Agreement was negotiated with the three main lenders in November 2012, under which changes were made to the calculation of the Senior Leverage Ratio and of the Senior Interest Coverage for the periods ended 31 December 2012 and 31 March 2013, and ending 30 June 2013. The change, which increases EBITDA by an agreed amount, seeks to address the consequences of two exceptional events that have penalised those calculations (the Barcrest events, and the level of payouts on sporting bets in September 2012). The main lenders accepted the amendment on 23 November 2012.
The Acquisition Facility of Euro 60 million was extinguished in November 2012, as it had not been used within the agreed period.

The calculations made with respect to compliance with the covenants as at 31 December 2012 did not indicate any contravention of their terms.

SNAI S.p.A. is also obliged to provide its lenders with periodic information as to its cash flows and income, and key performance indicators, regarding the Group, including EBITDA and net borrowings from October 2011 onwards.

Failure to comply with the financial covenants and other obligations would result in default for SNAI S.p.A.

39. Financial instruments

The following table sets forth a comparison between the carrying values and fair values of all of the Group's financial instruments.

	book value		fair value	
Financial assets and liabilities	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Cash	11.010	40.282	11.010	40.282
Receivables	91.837	76.391	91.837	76.391
Current financial assets	10.249	257	10.249	257
Current financial liabilities	20.095	37.944	20.095	37.944
Current quotas in long-temr loans	16.100	75.750	16.100	75.750
Non-current financial liabilities	344.436	281.207	344.436	281.207

40. EVENTS SINCE THE END OF THE FINANCIAL YEAR

40.1 Entertainment devices – 2010 PREU

On 2 January 2013, AAMS made another offer of amicable settlement for 2010 PREU, through, on the one hand, a credit for SNAI on account of overpayment of PREU of Euro 21,947.21, and on the other, reduced sanctions of Euro 2,933,107.07 and interest of Euro 478,809.97 for delay in payment.

On 31 January 2013, SNAI made its submissions with a view to obtaining revision of the calculations set out in that notice.

40.2 Tender procedure for racing TV

On 29 January 2013, an agreement was reached between ASSI (under temporary management) (which entity was subsequently merged into the Ministry for Agriculture, and for matters related to betting, by the Customs and Monopolies Agency; for details, see the 2012 Spending Review), and Teleippica, regarding the new television coverage of horse races, for a term of six years from commencement. The contract had a value of Euro 53,874 thousand, net of the minimum annual guaranteed advertising contribution of Euro 144.85 thousand.

In the meantime, Teleippica has extended its existing service of "broadcasting, processing and dissemination of audio and video signals from Italian and foreign racetracks", pending commencement of the new contract, expected for 29 May 2013.

40.3 Guaranteed minimums

By Judgment No. 1054, filed on 30 January 2013, the second section of the Regional Administrative Court upheld SNAI's objections as to a lack of constitutionality with reference to the provisions of Law Decree No. 16/2012, ordered suspension of the proceedings, and that the matter be passed to the Constitutional Court.

At the same time, it declared that original proceedings, related to the initial notices of January 2012, could not be pursued, due to lack of legal interest in the proceedings.

Pending the proceedings in the constitutional court, the Company may continue to rely on that suspension, which prevents AAMS from successfully pursuing any enforcement proceedings.

40.4 Malfunction of the VLT Barcrest platform on 16 April 2012 – *Disputes related to the entertainment machine business*: *AAMS' complaints of breaches in the management of the remote network*

The procedure related to the possible termination of the concession ended with a decision, ref. 2013/8734/Giochi/ADI, served upon the Company on 22 February 2013. Under that decision, on the basis of the submissions and documentation offered by the Company and the outcome of the technical review and review that it had conducted, AAMS concluded that it did not have to revoke the Concession, and would only seek to apply certain contractual penalties, in an aggregate amount of Euro 1,475 thousand.

40.5 Resignations of Director from position as member of the Risks and Controls Committee and of the Managing Director

On 29 January 2013, Antonio Casari resigned from his position as a member of the Risks and Controls Committee, while remaining as a Director of the Company.

On 13 March 2013, the Company announced the resignation of the Managing Director, Stefano Bortoli, from the end of the shareholders' meeting that would be called to approve the financial statements as at and for the year ended 31 December 2012.

As a result, as at the date of that shareholders' meeting, the whole of the Board of Directors will cease to hold office, pursuant to article 14 of the Company's bylaws, as three of the Directors appointed by the shareholders' meeting had previously resigned.

40.6 Final award of new entertainment machine (ADI) concession

On 27 December 2011, SNAI received notice from AAMS, regarding the provisional award of the new concession for the implementation and operation of a network for the remote management of gaming on entertainment and fun devices, pursuant to article 110, sixth para., of the Consolidated Public Safety Legislation, and connected matters. On 13 November 2012, SNAI obtained the definitive award of the concession for the network's operation, and having completed the documentary procedures, on 20 March 2013, it entered into the concession agreement.

41. Price paid for auditing of accounts and other services

The following table sets forth the amounts accrued in the financial year ended 31 December 2012 for auditing services provided by the Company's auditor.

Type of service	Entity which supplied the service	Recipient	Fee for year 2012 (thousands of Euro)
Audit of accounts	Auditor of Parent Company	Parent Company	428
	Auditor of the Parent Company	Subsidiaries (1)	110
Certificaton services			0
Tax consultancy services			0
Other services	Auditor of the Parent Company (2)	Parent Company	20
	Network of the Parent Company's Auditor (3)	Parent Company	231
Total			**789**

(1) The subsidiaries subject to auditing are Società Trenno S.r.l., Festa S.r.l. and Teleippica S.r.l.
(2) This item regards the agreed work on calculating financial covenants.
(3) This item regards IT assistance on the project for the assessment within the revenue assurance process, and support on the testing for Law 262.

Other information
The following notes are supplemented by the information set forth in the Schedules:
1) Composition of the Group as at 31 December 2012.

The Schedules form an integral part of these notes and constitute additional information in relation to the items in the accounts to which they relate.
The financial statements of consolidated subsidiaries and affiliates are all expressed in Euros.
This financial statement provides a true and accurate view of the Company's consolidated financial position and results of operations as at and for the relevant period, and correspond to the accounting records.

on behalf of the Board of Directors
Mr Stefano Bortoli
Managing Director

Milan, 21 March 2013

*****

The executive in charge of the preparation of the Company's accounting and corporate documentation, pursuant to article 154-bis, fifth para., of the Financial Services Act, hereby declares that the accounting information contained in this consolidated financial statement corresponds to the information contained in the documents, books and accounting records.

SCHEDULE 1						
Composition of the SNAI Group as of 31 December 2012						
(thousands of Euro)						
Company name	**Registered office**	**Share capital**		**Percentage held**	**Notes**	**Business operations conducted**
- SNAI S.p.A.	Porcari (LU)	60.749		Parent company		Acceptance of horse race and sports betting through its own concessions - coordination of operations of subsidiaries and electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of entertainment devices - skill games
Subsidiaries:						
- Società Trenno S.r.l. held by sole quotaholder	Milan (MI)	1.932		100,00%	(1)	Organization and operation of horse races and the training center
- Immobiliare Valcarenga S.r.l. held by sole quotaholder	Milan (MI)	51		100,00%	(2)	Rent of horse race company for holding of horses
- Festa S.r.l. held by sole quotaholder	Porcari (LU)	1.000		100,00%	(3)	Gestione call center, help desk
- Teseo S.r.l. in liquidation	Palermo (PA)	1.032		70,00%	(4)	Design and planning of betting management software systems
- SNAI Olè s.a.	Madrid (Spain)	61		100,00%	(5)	Acceptance of sports betting and manufacturing of gaming materials - dormant
- SNAI France SAS	Paris (France)	150		100,00%	(6)	Acceptance of remote bets -dormant
- Teleippica S.r.l.	Porcari (LU)	2.540		100,00%	(7)	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
Affiliates:						
- HIPPOGROUP Rome Capannelle S.p.A.	Rome (RM)	945		27,78%	(8)	Organization and operation of horse races and the training center
- Solar S.A.	LUSSEMBURGO	31		30,00%	(9)	Financial
- Alfea S.p.A.	Pisa (PI)	996		30,70%	(10)	Organization and operation of horse races and the training center
- Connext S.r.l.	Porcari (LU)	82		25,00%	(11)	Distribution and assistance of electronic services, hardwas and software
Other companies:						
- TIVU + S.p.A. in liquidation	Rome (RM)	520		19,50%	(12)	Multimedia operations, production, gathering and broadcasting of television signal
- Lexorfin S.r.l.	Rome (RM)	1.500		2,44%	(13)	Financial company for shareholdings in the horse race sector

Notes on the composition of the Group

(1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the merger by incorporation of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.). The company was incorporated on 27 July 2006, and on 15 September 2006 Ippodromi San Siro S.p.A. contributed its "horse racing operations" business unit.
(2) Wholly-owned subsidiary of SNAI S.p.A.
(3) Incorporated on 30 December 1999, with SNAI S.p.A. as sole member.
(4) Incorporated on 13 November 1996, and acquired by SNAI S.p.A. on 30 December 1999. On 3 August 2001, Teseo S.r.l. entered winding-up.
(5) Incorporated on 19 November 2008. The company is not operating.
(6) Incorporated on 18 July 2010. The company is not operating.
(7) Acquired by third parties on 5 May 2000. On 2 October 2003, the extraordinary shareholders' meeting changed the company's name from SOGEST Società Gestione Servizi Termali S.r.l. to Teleippica S.r.l., and also its corporate purpose. Over the course of 2005, the extraordinary shareholders' meeting resolved to increase the share capital to Euro 2,540,000. On 31 January 2011 SNAI S.p.A. acquired control of 80.5 percent of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. SNAI S.p.A. owns 100 percent of the share capital of Teleippica S.r.l.
(8) On 12 January 2011, the shareholders' meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, to reduce the share capital to Euro 944,520.00. SNAI S.p.A.'s shareholding was unchanged at 27.78 percent
(9) A company incorporated under Luxembourg law on 10 March 2006 by SNAI S.p.A., which holds 30 percent, and FCCD Limited, a company incorporated under Irish law, which holds 70 percent
(10) Previously, a 30.70 percent shareholding was held by Ippodromi San Siro S.p.A. (formerly, Società Trenno S.p.A.), now merged into SNAI S.p.A., by incorporation.
(11) On 7 December 2000, the shareholding in Connext S.r.l. was acquired through the purchase of rights from former shareholders, and the subsequent subscription (and payment) of the share capital increase reserved to the holders of those rights.
(12) On 7 July 2005, the extraordinary shareholders' meeting resolved to wind up the company Tivu + S.p.A.
(13) Shareholding of 2.44 percent acquired on 19 July 1999 by Società Trenno S.p.A., which was subsequently merged into SNAI S.p.A., by incorporation.

Certification related to the consolidated financial statement pursuant to articles 154 *bis*, paragraph 5, Legislative Decree 58/98

1. The undersigned, Stefano Bortoli, in his capacity as Managing Director of SNAI S.p.A. and Marco Codella in his capacity as Executive Responsible for the preparation of the corporate and accounting documents of SNAI S.p.A. certify, taking into account the provisions of art.154 – bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:

    - The adequacy in consideration of the company's characteristics
    and
    - The effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statement as of and for period ended 31.12.2012.

2. In such regard, no noteworthy matters have emerged.

3. We also certify that:
   3.1 the consolidated financial statement:
   a) is prepared in compliance with international accounting standards recognized in the European Community pursuant to EC regulation no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
   b) reflects the data set forth in the accounting books and records;
   c) is adequate to provide a truthful and accurate representation of the balance sheet and economic and financial condition of the issuer and the companies included within the consolidation perimeter.
   3.2 The directors' report includes a reliable analysis on the performance and results of operations, as well as the financial condition of the issuer and the companies included within the consolidation perimeter, as well as a description of the main risks and uncertainties to which they are exposed.

This certification is rendered also pursuant to and for purposes of art. 81-ter of Consob Regulation No. 11971 dated 14 May 1999, as subsequently amended and supplemented.

Milan, 21 March 2013

The Managing Director	**The Executive Responsible for the preparation of the corporate and accounting documents**
(Stefano Bortoli)	*(Marco Codella)*

ISO 9001:2008
ISO 27001:2005

Lucca:
Via Luigi Boccherini, 39
55016 Porcari (LU)
T. + 39.0583.2811
F.+39.0583.281356

Roma:
Via di Settebagni, 384/390
00138 Roma
T. +39.06.88570391
F. +39.06.88570308

Milano:
Via Ippodromo, 100
20151 Milano
T. +39.02.482161
F. +39.02.48205419

C.F. 00754850154 - P.IVA 01729640464 - R.E.A LU n.166476 - Reg. Imp. LU 00754850154 - Cap. soc. € 60.748.992,20 i.v.

TRENNO S.R.L.
Registered office: via Ippodromo, 100 - 20151 Milan - Tax Code and VAT Code 02044330468 - Milan REA no. 1820350
Registered Capital Euro 1,932,230,00 entirely paid in - Companies Register of Milan no. 02044330468

Financial statement prepared in accordance with IAS/IFRS

Balance sheet as of 31 December 2012

(in Euro)

ASSETS	31/12/2012	31/12/2011	31/12/2011 restated
Non-current assets			
Owned real estate, plants and machinery	1,138,867	1,899,729	1,899,729
Improvements to third party real estate and moveable assets	1,030,196	1,238,718	1,238,718
Assets held under financial leases	21,359	72,762	72,762
Total tangible long-term investments	**2,190,422**	**3,211,209**	**3,211,209**
Other intangible assets	42,302	22,479	22,479
Total intangible long-term investments	**42,302**	**22,479**	**22,479**
Shareholdings in subsidiaries and affiliates	0	0	0
Total shareholdings	**0**	**0**	**0**
Other financial assets			
Taxes paid in advance	1,003,831	770,008	770,008
Other non-financial assets	62,830	60,616	60,616
Total non-current assets	**3,299,385**	**4,064,312**	**4,064,312**
Current assets			
Inventory	189,300	201,113	201,113
Trade receivables	14,340,970	6,985,010	6,985,010
Other assets	2,866,938	2,941,892	2,941,892
Cash and cash equivalents	310,807	2,222,074	2,222,074
Total current assets	**17,708,015**	**12,350,089**	**12,350,089**
TOTAL ASSETS	**21,007,400**	**16,414,401**	**16,414,401**

LIABILITIES AND NET SHAREHOLDERS' EQUITY	31/12/2012	31/12/2011	31/12/11 restated
Net Shareholders' Equity			
Share Capital	1,932,230	1,932,230	1,932,230
Reserves	7,209,417	1,804,271	1,979,078
Earnings (loss) for the period	(6,423,441)	(3,223,870)	(3,398,677)
Total Net Shaholders' Equity	**2,718,206**	**512,631**	**512,631**
Non-current liabilities			
End of employment indemnity	2,982,635	2,973,653	2,973,653
Non-current financial liabilities	10,343	23,357	23,357
Deferred taxes	3,116	85,327	85,327
Future risks and costs fund	288,038		
Miscellaneous debts and other non-current liabilities	12,286	13,376	13,376
Total non-current liabilities	**3,296,418**	**3,095,713**	**3,095,713**
Current liabilities			
Commercial debts	10,234,592	6,471,469	6,471,469
Other liabilities	1,923,988	1,503,828	1,503,828
Current financial liabilities	2,821,182	4,777,820	4,777,820
Current quotas in long-term financings	13,014	52,940	52,940
Total financial liabilities	**2,834,196**	**4,830,760**	**4,830,760**
Total current liabilities	**14,992,776**	**12,806,057**	**12,806,057**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**21,007,400**	**16,414,401**	**16,414,401**

Trenno S.r.L.
income statement as of 31 December 2012

(in Euro)

	Year 2012	Year 2011	Year 2011 restated
Revenues from sales and services	11,218,090	18,685,211	18,685,211
Other revenues and proceeds	1,717,998	266,499	266,499
Increases in long-term investments for internal works	0	0	0
Raw materials and consumers good used	(252,204)	(347,786)	(347,786)
Costs for services and the use of third party assets	(11,810,764)	(13,144,676)	(13,144,676)
Personnel costs	(7,438,664)	(7,615,651)	(7,615,651)
Other operating costs	(812,632)	(594,014)	(594,014)
Earnings before amortizaiton, write-downs, financial proceeds/costs, taxes	**(7,378,176)**	**(2,750,417)**	**(2,750,417)**
Amortization	(1,129,317)	(1,231,047)	(1,231,047)
Other amounts set aside	(288,038)		
Capital gains (capital losses) realized on non-current assets		0	0
Operating results	**(8,795,531)**	**(3,981,464)**	**(3,981,464)**
Financial proceeds	1,881	243,284	2,171
Financial costs	(351,101)	(531,201)	(531,201)
Total financial costs and proceeds	**(349,220)**	**(287,917)**	**(529,030)**
BEFORE TAX RESULTS	**(9,144,751)**	**(4,269,381)**	**(4,510,494)**
Income taxes	2,721,310	1,045,511	1,111,817
Earnings (losses) for the period	**(6,423,441)**	**(3,223,870)**	**(3,398,677)**
Other components of the total income statement	(444,720)		174,807
Total net earnings (loss) for the financial year	**(6,868,161)**	**(3,223,870)**	**(3,223,870)**

for the Board of Directors
the Managing Director

Teleippica S.r.l. Owned by a sold quotaholder
Registered office: via Boccherini, 39 - 55016 Porcari (LU) - Tax Code 01913970206 and VAT Code 01779230463 - Lucca REA no. 170724
Registered capital Euro 2,540,000,00 entirely paid in - Companies Register of Lucca no. 01913970206

Financial statement prepared in accordance with IAS/IFRS

Balance Sheet as of 31 December 2012

(in Euros)

ASSETS	31/12/2012	31/12/2011	31/12/2011 restated
Non-current assets			
Owned real estate, plants and machinery	1,675,059	1,646,073	1,646,073
Total tangible long-term investments	**1,675,059**	**1,646,073**	**1,646,073**
Goodwill	443,129	443,129	443,129
Other intangible assets	69,822	64,301	64,301
Total intangible long-term investments	**512,951**	**507,430**	**507,430**
Taxes paid in advance	63,534	56,072	56,072
Other non-financial assets	92,677	511	511
Total non-current assets	**2,344,221**	**2,210,086**	**2,210,086**
Current assets			
Trade receivables	10,371,650	5,938,501	5,938,501
Other assets	841,744	979,914	979,914
Current financial assets	0	1,242,513	1,242,513
Cash and cash equivalents	886,272	656,837	656,837
Total current assets	**12,099,666**	**8,817,765**	**8,817,765**
TOTAL ASSETS	**14,443,887**	**11,027,851**	**11,027,851**

LIABILITIES AND NET SHAREHOLDERS' EQUITY	31/12/2012	31/12/2011	31/12/2011 restated
Share capital	2,540,000	2,540,000	2,540,000
FTA reserves	73,848	73,848	73,848
Cash Flow Hedge Reserves	0	0	0
Reserves	5,137,448	2,397,712	2,387,868
Earnings (loss) for the financial year	2,198,639	2,777,125	2,786,969
Total Net Shareholders' Equity	**9,949,935**	**7,788,685**	**7,788,685**
Non-current liabilities			
End of employment indemnity	407,484	343,145	343,145
Non-current financial liabilities	0	0	0
Deferred taxes	56,949	55,816	55,816
Future risks and costs fund	0	0	0
Total Non-current Liabilities	**464,433**	**398,961**	**398,961**
Current liabilities			
Commercial debts	1,286,406	849,962	849,962
Other liabilities	1,630,046	1,990,243	1,990,243
Current financial liabilities	1,113,067	0	0
Current quotas in long-term financings		0	0
Total financial liabilities	**1,113,067**	**0**	**0**
Total current liabilities	**4,029,519**	**2,840,205**	**2,840,205**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**14,443,887**	**11,027,851**	**11,027,851**

TELEIPPICA S.R.L. held by a sole quotaholder

Income statement as of 31 December 2012

(in Euros)

	Year 2012	Year 2011	Year 2011 restated
Revenues from sales and services	11,474,505	13,358,287	13,358,287
Other revenues and proceeds	526,162	484,440	484,440
Raw materials and consumer goods used	(79,382)	(110,372)	(110,372)
Costs for services and the use of third party assets	(5,246,290)	(5,022,242)	(5,022,242)
Personnel costs	(2,180,524)	(2,328,938)	(2,328,938)
Other operating costs	(439,282)	(411,036)	(411,036)
Earnings before amortizations, write-downs, financial proceeds/costs, taxes	**4,055,189**	**5,970,139**	**5,970,139**
Amortization	(781,212)	(1,663,391)	(1,663,391)
Other amounts set aside		0	0
Earnings before financial proceeds/costs, taxes	**3,273,977**	**4,306,748**	**4,306,748**
Proceeds and costs from shareholdings	0	0	0
Financial proceeds	69,697	102,442	102,442
Financial costs	(43,323)	(223,350)	(209,772)
Total financial costs and proceeds	**26,374**	**(120,908)**	**(107,330)**
EARNINGS BEFORE TAXES	**3,300,351**	**4,185,840**	**4,199,418**
Income taxes	(1,101,712)	(1,408,715)	(1,412,449)
Earnings (loss) for the financial year	**2,198,639**	**2,777,125**	**2,786,969**
Other components of the total income statement	(37,389)	7,198	(2,646)
Total net earnings (loss) for the financial year	**2,161,250**	**2,784,323**	**2,784,323**

for the Board of Directors
The Managing Director
(Stefano Marzullo)

FESTA S.R.L. held by a sole quotaholder
Registered office: via Boccherini, 39 - 55016 Porcari (LU) - Tax Code and VAT Code 01755450465 -
Lucca REA no. 169111
Registered Capital Euro 1,000,000,00 entirely paid in - Companies Register of Lucca no. 01755450465
(6141/2000)

Financial statement prepared in accordance with IAS/IFRS

Balance Sheet as of 31 December 2012

(in Euros)

ASSETS	31/12/2012	31/12/2011	31/12/2011 restated
Non-current assets			
Owned real estate, plants and machinery	378,507	412,906	412,906
Total tangible long-term investments	**378,507**	**412,906**	**412,906**
Goodwill	185,925	185,925	185,925
Other intangible assets	63,678	71,786	71,786
Total intangible long-term investments	**249,603**	**257,711**	**257,711**
Taxes padi in advance	210,959	147,661	147,661
Othe rnon-financial assets	39,674	38,276	38,276
Total non-current assets	**878,743**	**856,554**	**856,554**
Current assets			
Trade receivables	732,530	721,686	721,686
Other assets	434,075	260,634	260,634
Current financial assets	2,057,132	2,631,800	2,631,800
Cash and cash equivalents	75,218	92,167	92,167
Total current assets	**3,298,955**	**3,706,287**	**3,706,287**
TOTAL ASSETS	**4,177,698**	**4,562,841**	**4,562,841**

LIABILITIES AND NET SHAREHOLDERS' EQUITY	31/12/2012	31/12/2011	31/12/2011 restated
Share capital	1,000,000	1,000,000	1,000,000
FTA reserves	105,514	105,514	105,514
Reserves	656,561	1,059,803	1,060,341
Earnings (loss) for the financial year	143,625	(386,215)	-386,753
Total Net Shareholders' Equity	**1,905,700**	**1,779,102**	**1,779,102**
Non-current liabilities			
End of employment indemnity	157,109	160,361	160,361
Non-current financial liabilities	0	0	0
Deferred taxes	53,016	51,348	51,348
Future risks and costs fund	284,998	767,937	767,937
Total non-current liabilities	**495,123**	**979,646**	**979,646**
Current liabilities			
Commercial debts	356,974	408,232	408,232
Other liabilities	1,419,901	1,337,754	1,337,754
Current financial liabilities	0	58,107	58,107
Current quotas in long-term financings		0	0
Total financial liabilities	**0**	**58,107**	**58,107**
Total current liabilities	**1,776,875**	**1,804,093**	**1,804,093**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,177,698**	**4,562,841**	**4,562,841**

FESTA S.R.L. held by a sole quotaholder
Income statement as of 31 December 2012

(in Euros)

	Year 2012	Year 2011	Year 2011 restated
Revenues from sales and services	5,945,799	7,351,001	7,351,001
Other revenues and proceeds	248,234	256,596	256,596
Raw materials and consumer goods used	0	(2,199)	(2,199)
Costs for services and use of third party assets	(1,376,369)	(2,319,685)	(2,319,685)
Costs for personnel	(4,388,924)	(4,022,357)	(4,022,357)
Other operating costs	(151,951)	(171,966)	(171,966)
Earnings before amortization, write-downs, financial proceedings/costs, taxes	**276,789**	**1,091,390**	**1,091,390**
Amortization	(134,411)	(208,401)	(208,401)
Other amounts set aside	(187,591)	(58,000)	(58,000)
Earnings before financial proceeds/costs, taxes	**(45,213)**	**824,989**	**824,989**
Proceeds and costs from shareholdings	(6,029)	(875,851)	(875,851)
Financial proceeds	125,285	158,801	158,059
Financial costs	(14,054)	(20,786)	(20,786)
Total financial costs and proceeds	**105,202**	**(737,836)**	**(738,578)**
EARNINGS BEFORE TAXES	**59,989**	**87,153**	**86,411**
Income taxes	83,636	(473,368)	(473,164)
Earnings (loss) for the financial year	**143,625**	**(386,215)**	**(386,753)**
Other components of the total income statement	(17,028)	0	538
Total net earnings (loss) for the financial year	**126,597**	**(386,215)**	**(386,215)**

The Managing Director

(Gabriele Belsito)

IMMOBILIARE VALCARENGA S.R.L. held by sole quotaholder
Registered office: via Ippodromo, 100 - 20151 Milan - Tax Code and VAT Code 03377490150 - Milan Rea no. 0476852
Share Capital Euro 51,000,00 entirely paid in - Companies Register of Milan no. 03377490150

Financial statement prepared in accordance with national accounting standards

Balance Sheet as of 31 December 2012
(in Euros)

ASSETS				31/12/2012	31/12/2011
(B)	**LONG-TERM INVESTMENTS:**				
	II	TANGIBLE LONG-TERM INVESTMENTS:			
		1)	land and buildings	152,065	160,266
		2)	plants and machinery	0	384
		TOTAL		152,065	160,650
	III	FINANCIAL LONG-TERM INVESTMENTS:			
		2)	receivables:		
			due by the the end of the following year		
			d) owed by others	11	11
			TOTAL FINANCIAL LONG-TERM INVESTMENTS	11	11
TOTAL LONG-TERM INVESTMENTS (B)				**152,076**	**160,661**
(C)	**WORKING CAPITAL:**				
	II	RECEIVABLES:			
		due by the end of the following year			
		1)	by clients	11,927	13,966
		4)	by controlling shareholders	221,322	161,555
		4bis)	tax credits	2,386	2,381
		5)	by others	0	6,166
		TOTAL RECEIVABLES		235,635	184,068
	TOTAL WORKING CAPITAL (C)			**235,635**	**184,068**
(D) ACCRUALS				**1,335**	**0**
TOTAL ASSETS				**389,046**	**344,729**

IMMOBILIARE VALCARENGA S.R.L. held by a sole quotaholder
Income statement as of 31 December 2012

(in Euros)

LIABILITIES			31/12/2012	31/12/2011
(A)	**NET SHAREHOLDERS' EQUITY**			
	I	CAPITAL	51,000	51,000
	III	REVALUATION RESERVES		
		1) reserve pursuant to law no. 72 of 19/3/83	23,795	23,795
		2) reserve pursuant to law no. 413 of 30/12/91	95,549	95,549
		TOTAL REVAULATION RESERVES	119,344	119,344
	IV	LEGAL RESERVE	10,280	10,280
	VII	OTHER RESERVES		
		1) extraordinary reserve	7,360	7,360
		2) reserve from conversion		1
		TOTAL OTHER RESERVES	7,360	7,361
	VIII	EARNINGS (LOSSES) CARRIED FORWARD	105,500	61,909
	IX	EARNINGS (LOSSES) FOR THE FINANCIAL YEAR	23,864	43,591
	TOTAL NET SHAREHOLDERS' EQUITY (A)		**317,348**	**293,485**
(B)	**FUNDS FOR RISKS AND COSTS**			
		3) others	2,893	2,893
		TOTAL FUNDS FOR RISKS AND COSTS (B)	**2,893**	**2,893**
(D)	**DEBTS**			
		due by the end of the following year		
		7) debts owed to suppliers	0	5,257
		11) debts owed to controlling shareholders	66,406	39,773
		12) tax debts	2,399	2,382
		14) other debts	0	939
TOTAL DEBTS			**68,805**	**48,351**
TOTAL LIABILITIES			**389,046**	**344,729**

IMMOBILIARE VALCARENGA S.R.L. held by a sole quotaholder
Income statement as of 31 December 2012

(in Euros)

				Year 2012	Year 2011
(A)	**PRODUCTION VALUE**				
	1)	revenues from sales and services		93,234	94,616
	5)	other revenues and porceedings, with separate indication contributions to account for financial year		5,309	1,594
TOTAL PRODUCTION VALUE (A)				**98,543**	**96,210**
(B)	**COSTS OF PRODUCTION**				
	7)	for services		16,943	16,575
	10)	amortization and write-downs			
		b)	amortizaiton of tangible long-term investments	8,585	9,697
		d)	write-downs of receivables included working capital	60	70
			and liquid assets	0	0
		TOTAL AMORTIZATION AND WRITE-DOWNS		8,645	9,767
	14)	miscellaneous operating costs		36,303	11,331
TOTAL COSTS OF PRODUCTION (B)				**61,891**	**37,673**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS OF PRODUCTION (A-B)				**36,652**	**58,537**
(C)	**FINANCIAL PROCEEDS AND COSTS**				
	16)	other financial proceeds:			
		from securities registered in long-term investments which are not shareholdings			
		from securities regisered in working capital which are not sharehldings			
		proceeds other than those indicated above			
			1) from controlling quotaholders	10,190	8,695
			4) from third parties		
			total	10,190	8,695
		TOTAL		10,190	8,695
	17)	interest and other financial costs from:			
		third parties		12	22
		TOTAL		12	22
TOTALE C (15+16-17+ - 17 bis)				**10,178**	**8,673**
(E)	**EXTRAORDINARY PROCEEDS AND COSTS**				
		b.3)	taxes related to previous years	15	
			various		
		TOTAL EXTROARIDNARY COSTS		15	0
TOTAL EXTRAORDINARY ITEMS (20-21)				**(15)**	**0**
EARNINGS BEFORE TAXES (A-B+C+D+E)				**46,815**	**67,210**
22)	Income taxes for financial year (current, deferred and paid in advance)				
	a)	Current taxes		(22,951)	(23,619)
23)	**EARNINGS (LOSSES) FOR THE FINANCIAL YEAR**			**23,864**	**43,591**

The Sole Director

(Marco Codella)

TESEO S.R.L. in liquidation

Registered office: via Toscana, 8 - 90100 Palermo - Tax Code 01628410464 VAT Code 0527160828 - Palermo REA no. 230322
Registered Capital Euro 1,032,000,00 entirely paid in - Companies Register of Palermo

Financial statement prepared in accordance with national accounting standards

Balance Sheet as of 31 December 2011
(in Euros)

ASSETS			31/12/2011	31/12/2010
(A)	**RECEIVABLES OWED BY QUOTAHOLDERS FOR CONTRIBUTIONS STILL DUE**			
(B)	**LONG-TERM INVESTMENTS:**			
(C)	**WORKING CAPITAL:**			
	I	INVENTORY:		
		4) finished products and goods	0	959,884
		TOTAL INVENTORY	0	959,884
	II	RECEIVABLES:		
		due by the end of the following year		
		1) owed by client	3,202,144	3,217,275
		TOTAL RECEIVABLES	3,202,144	3,217,275
	IV	AVAILABLE LIQUIDITY		
		1) bank and postal deposits	7,907	10,342
		TOTAL	7,907	10,342
	TOTAL WORKING CAPITAL (C)		**3,210,051**	**4,187,501**
(D) ACCRUALS				
TOTAL ASSETS			**3,210,051**	**4,187,501**

LIABILITIES			31/12/2011	31/12/2010
(A)	**NET SHAREHOLDERS' EQUITY**			
	I	CAPITAL	1,032,000	1,032,000
	IV	LEGAL RESERVE	1,444	1,444
	VII	OTHER RESERVES		
		1) reserve from conversion	(2)	(2)
		TOTAL OTHER RESERVES	(2)	(2)
	VIII	EARNINGS (LOSSES) CARRIED FORWARD	(4,377,070)	(3,941,003)
	IX	EARNINGS (LOSSES) FOR THE FINANCIAL YEAR	(1,422,913)	(436,066)
	TOTAL NET SHAREHOLDERS' EQUITY (A)		**(4,766,541)**	**(3,343,627)**
(B)	**FUNDS FOR RISKS AND COSTS**			
		3) others	562,303	517,846
		TOTAL FUNDS FOR RISKS AND COSTS (B)	**562,303**	**517,846**
(C)	**END OF EMPLOYMENT INDEMNITY**			
(D)	**DEBTS**			
		due by the end of the following financial year		
		14) other debts	7,414,289	7,013,282
		due after the end of the following financial year		
		14) altri debiti		
TOTAL DEBTS			**7,414,289**	**7,013,282**
(E)	**DEFERRALS**			
TOTAL LIABILITIES			**3,210,051**	**4,187,501**

TESEO S.R.L. in liquidation
Income statement as of 31 December 2011

(in Euros)

			YEAR 2011	YEAR 2010
(A)	**PRODUCTION VALUE**			
	1)	revenues from sales and services	0	0
TOTAL PRODUCTION VALUE (A)			**0**	**0**
(B)	**COSTS OF PRODUCTION**			
	6)	for raw material, consumables and goods for resale		
	7)	for services	88.850	104.250
		c) other impairment of fixed assets	959.884	0
		d) impairment losses of receivables included among in current assets and cash equivalents	42.868	0
		TOTAL AMORTIZATION AND IMPAIRMENT	1.002.752	0
	11)	changes in inventories for raw material, consumables and goods for resale		
	12)	amounts set aside for risks		
	13)	Other amounts set aside	20.000	0
	14)	miscellaneous operating costs	1.168	17.116
TOTAL COSTS OF PRODUCTION (B)			**1.112.770**	**121.366**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS OF PRODUCTION (A-B)			**(1.112.770)**	**(121.366)**
(C)	**FINANCIAL PROCEEDS AND COSTS**			
	16)	other financial proceeds:		
		a) from receivables registered in long-term investments from securities registered in working capital which are not shareholdings proceeds		
		b) other than those indicated above	0	1
		total	0	1
		TOTAL	0	1
	17)	interest and other financial costs from:	309.842	247.937
		TOTAL	309.842	247.937
TOTAL C (15+16-17+ - 17 bis)			**(309.842)**	**(247.936)**
(E)	**EXTRAORDINARY PROCEEDS AND COSTS**			
	20)	Proceeds with separate indication of capital gains from alienation in which the revenues are not registered at no. 5	0	0
		TOTAL EXTRAORDINARY PROCEEDS	0	0
	21)	costs with separate indication of capital losses from alienation, the accounting effects of which may not be registered in no. 14) and taxes related to previous years:	301	66.764
		TOTAL EXTROARIDNARY COSTS	301	66.764
TOTAL EXTRAORDINARY ITEMS (20-21)			**(301)**	**(66.764)**
EARNINGS BEFORE TAXES (A-B+C+D+E)			**(1.422.913)**	**(436.066)**
23)	**EARNINGS (LOSS) FOR THE FINANCIAL YEAR**		**(1.422.913)**	**(436.066)**

The Liquidator
Rag. Lorenzo Ferrigno

Summary of essential data from last available financial statement of the affiliates

Financial statements prepared in accordance with national accounting standards

(in Euros)

DIRECT SHAREHOLDINGS	Connext S.r.l.		Alfea S.p.A.		Hippogroup Roma Capannelle S.p.A.		Solar S.A.	
% shareholding	25%	25%	30.70%	30.70%	27.78%	27.78%	30%	30%
	2012	**2011**	**2011**	**2010**	**2011**	**2010**	**2009**	**2008**
Assets								
Receivables owed by Shareholders					-	-		
Intangible long-term investments	107,575	81,276	134,828	137,917	851,851	998,617	595	1,190
Tangible long-term investments	50,063	64,025	2,312,322	2,765,172	5,022,250	5,801,425	-	-
Financial long-term investments	11,212	11,342	39,214	35,880	1,587,960	1,594,487	43,500,000	43,500,000
Available liquidity	5,871	6,987	2,125,251	917,621	5,042,658	897,603	149,229	142,536
Trade and miscellaneous receivables	266,207	214,993	3,761,955	2,383,974	10,127,039	12,192,785	1,770,418	2,140,015
Other asset items	258,943	291,674	1,067,373	1,549,614	41,697	7,547	-	-
Total assets	**699,871**	**670,297**	**9,440,943**	**7,790,178**	**22,673,455**	**21,492,464**	**45,420,242**	**45,783,741**
Capital and liabilities								
Share capital	81,600	81,600	996,300	996,300	944,520	2,315,000	31,000	31,000
Earnings (loss) for year	-2,666	9,331	68,044	131,754	7,867,242	-1,172,432	38,559	39,694
Earnings (loss) carried forward	-	-	-	-	-290,278	-494,670	104,894	65,200
Other reserves	172,788	163,457	3,889,126	3,883,432	16,491	22,835	3,100	3,100
Total net shareholders' equity	**251,722**	**254,388**	**4,953,470**	**5,011,486**	**8,537,975**	**670,733**	**177,553**	**138,994**
End of employment indemnity fund	98,482	80,725	517,171	565,426	1,607,711	1,588,213	-	-
Other amoutsn set aside			1,112,757	886,000	779,518	5,389	-	-
Medium/long-term financial debts							42,630,000	42,630,000
Commercial and miscellaneous debts	313,177	300,834	2,347,474	1,305,779	11,307,197	18,742,063	-	-
Other liabilities items	36,490	34,350	510,071	21,487	441,054	486,066	2,612,688	3,014,747
Total net shareholders' equity and liabilities	**699,871**	**670,297**	**9,440,943**	**7,790,178**	**22,673,455**	**21,492,464**	**45,420,241**	**45,783,741**
Revenues								
Sales and services	871,992	890,546	5,878,902	4,697,648	9,736,159	9,936,438	-	-
Financial proceeds	6	16	144,561	24,651	43,088	5,820	7,015,216	8,454,813
Other proceeds	53,181	59,167	333,191	131,846	11,775,842	969,744	98,083	1,305
Losses for year	2,666					1,172,432		
Total revenues	**927,845**	**949,729**	**6,356,654**	**4,854,145**	**21,555,089**	**12,084,434**	**7,113,299**	**8,456,118**
Costs								
Purchases and services	547,117	568,789	2,960,545	2,402,246	6,211,518	7,202,060	-	-
Costs of labor	306,561	299,145	1,971,454	1,310,211	3,443,750	3,359,706	-	-
Financial costs	7,852	3,725		-	24,628	150,058	6,735,038	8,356,357
Tax costs	21,927	27,124	181,098	162,518	535,539	97,767	14,728	15,759
Amortization	38,254	29,386	757,817	688,663	1,169,233	863,669	-	-
Other costs	6,134	12,229	417,696	158,753	2,303,179	411,174	324,975	44,308
Earnigs for financial year		9,331	68,044	131,754	7,867,242		38,559	39,694
Total costs	**927,845**	**949,729**	**6,356,654**	**4,854,145**	**21,555,089**	**12,084,434**	**7,113,300**	**8,456,118**

NOTES :

1) The data for Connext S.r.l. refer to 31/12/12, the last available financial statement.

2) The data for Alfea S.p.A. refer to 31/12/2011, the last available and approved financial statement.

3) The data for Hippogroup Roma Capannelle S.p.A. refer to 31/12/2011, the last available and approved financial statement.

4) The data for Solar S.A. refer to 31/12/2009, the last available financial statement.